

SECTION 202 HOUSING FOR THE ELDERLY
AND HANDICAPPED: A NATIONAL SURVEY

AN INFORMATION PAPER

PREPARED BY THE STAFF OF THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE



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PREFACE

As the number of America's senior citizens grows, housing programs—and the public policy underlying these programs—take on increased significance. Increasing numbers of frail elderly—those over 75—are “aging in place” in Federal housing projects and private residences. This increases the importance of a coherent Federal policy on housing and also raises issues that transcend housing policy alone.

This information paper presents the results of a national survey conducted by the staff of the Special Committee on Aging in the fall of 1983 to examine the current section 202 housing program. The goal of this survey was to acquire a “portrait” of the current 202 program and to give Congress and those involved in the administration and management of the 202 program a basis on which to set future goals for the program. Congress is scheduled to reauthorize the section 202 program in 1985.

Since its enactment in 1959, the section 202 program has evolved into a prominent Federal financing vehicle for building housing for older persons that will enable them to remain self sufficient and independent. The original program authorized direct loans to non-profit organizations so that they could develop and operate projects to serve primarily middle-income elderly. Revised by the 1974 Housing Act (Public Law 93-383), today section 202 provides direct loans coupled with section 8 assistance for newly constructed or substantially rehabilitated facilities serving low- and moderate-income elderly. Through policies developed by the Department of Housing and Urban Development [HUD], the program has consciously been targeted to the unique needs of the elderly and handicapped by incorporating congregate space and special design features into the projects.

This survey is the first of its kind. The results offer a picture of section 202 projects in which residents have “aged in place.” In contrast to their early days, these projects now serve an older, more frail population. In light of the changing characteristics of the tenants in the program, Congress must seriously examine how best to provide a supportive environment for the frail elderly where social, physical, and emotional needs are met without jeopardizing independence. This survey will provide valuable input into the upcoming debates on this important subject.

I would like to express my sincere thanks to the 202 project sponsors and staff who took the time to complete the survey. The 47-percent response rate is evidence of their dedication and commitment to the program and is further evidence that the partnership between the nonprofit community and the Federal Government,

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long a key element of the program, will continue to contribute to the program's success.

I would also like to acknowledge the work of Ann Gillespie and Elizabeth Vierck of the Aging Committee staff in conducting the survey and preparing this paper. Special thanks are also extended to Charles Sprague and Cathy Gust of the U.S. Senate Computer Center for their invaluable support in designing and analyzing the survey.

JOHN HEINZ, *Chairman.*

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SECTION 202 HOUSING FOR THE ELDERLY AND HANDICAPPED: A NATIONAL SURVEY

EXECUTIVE SUMMARY

The "graying of America" is well documented. The population 65 and over grew by 20.6 percent between 1960 and 1970, and by about 28 percent between 1970 and 1980. It is projected to grow by another 17 percent by 1990. Today, 27 million Americans are over 65. The implications of these projections for housing in America, and for Federal housing policy in particular, are profound.

Federal housing policymakers will need to reassess existing housing programs in light of the values driving most health care and social services policies for the elderly. Although some would argue that the elderly have won more than their share of federally funded housing assistance programs, roughly 2 million of the 3.2 million low-income elderly renters eligible for Federal housing assistance are currently not served by Federal programs. Indeed, the housing needs of several million elderly—housing that is affordable, safe, accessible and suitable in terms of neighborhood amenities and services—have gone unaddressed.

The 202 program is the most visible "elderly housing program," but it is not the largest supplier of housing to older Americans. Today, the principal federally assisted housing programs are the section 8 existing housing program and the public housing programs. An estimated 50 percent of the 2.5 million units constructed through these two programs do not come to mind when the issue of Federal housing assistance for the elderly is raised. Rather, policymakers, as well as the public, tend to focus on the section 202 program, although it represents less than 10 percent of the federally assisted units for the elderly.

Even though section 202 is often considered a prototype and a key reference point in elderly housing policy discussions, there is no up-to-date information base to which Congress can refer when formulating 202 policy. In anticipation of the congressional reauthorization of the program in 1985, the Aging Committee launched this national survey of 202 projects.

The majority of the survey findings were not unexpected, rather they were a confirmation of what program administrators thought to be true but had no data to substantiate. The following questions

were addressed: (1) What does the current tenant population look like? (2) What do the projects look like in terms of their size, location, unit design, and costs of operation? (3) What is the national demand for 202 units? (4) What services are being offered by projects? Altogether, these results present a valuable "portrait" of the programs as of October 1983.

SURVEY HIGHLIGHTS

ELDERLY PROJECTS

Note: Projects built under the original program (1959-68) are referred to as "old" projects; those built under the revised program (1974 to present) are referred to as "new" projects. The following are the survey highlights:

- The majority of projects have been constructed under the new section 202 program and are located in urban or suburban areas in the South and North-Central regions of the country.
- Older 202 projects have more units than newer projects—though the size of the units is smaller—and, as a result, the per unit operating costs are lower in the older, larger projects.
- Religious organizations sponsor over three-fifths of all 202 projects.
- Three-fourths of all tenants are women.
- The average age of tenants in the older projects is 78; two in five are over 80 years of age. The average age of tenants in newer projects is 71.
- One in five tenants in older projects is frail, compared to one in six in newer projects.
- Average incomes for all tenants are near the current poverty level. Tenants in older projects have slightly higher incomes on the average, but they also pay higher rents than those in newer projects.
- Projects in both the old and new programs have low turnover rates; less than one-fifth of the units become vacant annually.
- Waiting lists, especially those for urban projects, are very long. Only one in five applicants per year can expect to get into a project. The average wait is over 1 year and nearly one in four is forced to wait 5 or more years.
- Based on the length of the waiting lists, there is a greater shortage of 202 units in the Northeast than in any other region of the country.
- The typical project offers an average of six on-site services to residents, but these are mostly recreational, religious, or transportation services. One-third of all projects offer a meals program, though these are more prevalent in older projects.
- Most projects for the handicapped are sponsored by community-based organizations.
- Projects under the handicapped program are evenly distributed across the country; they average 14 units per project.
- The services most frequently offered by the sponsors of the handicapped projects are counseling, transportation, and recreational services.

POLICY ISSUES

While it is not the largest of the Federal housing programs, the section 202 program is the flagship of HUD's production programs. It has had few management problems, almost no defaults, and there appears to be a high degree of tenant satisfaction with 202 projects as evidenced by low turnover and long waiting lists. Nonetheless, while the politically popular section 202 program has generally produced high quality and financially viable housing projects for the elderly and the handicapped, it has also experienced some political controversy. These disputes stem from several problems, including the program's high costs of production, the tendency, at least of the original program, to serve primarily moderate- and middle-income elderly, and the draw that the program makes annually on the Federal budget because of its use of direct loans from the Federal Government at reduced interest rates. Since 1981, these concerns have led to a halt in the growth in the number of households receiving assistance, a targeting of the available assistance to poorer tenants, and an emphasis on the use of existing stock in place of building new housing projects. By 1983, these policies had the net effect of eliminating all future construction of assisted housing units, except those provided through the section 202 program. Relative to other Federal housing programs, section 202 received small cutbacks. It has been the target of numerous regulatory and administrative changes, however, which are aimed at making the program more cost effective and targeting assistance to the neediest of elderly and handicapped persons.

These recent changes in program direction, as well as those continuing policy issues mentioned earlier, will be the focus of debate during the program's reauthorization in 1985 as well as in the years to come. What follows is a discussion of the findings as they relate to three major policy issues: demand and supply, services, and cost containment.

DEMAND AND SUPPLY

Controversy over 202's cost of financing and its allegedly narrow focus have led to attempts by several administrations to end or significantly reduce the section 202 program since its enactment in 1959.

Most recently, in 1983, the Reagan administration requested that the number of section 202 units built be reduced from 14,000 units (already down from 18,000 units in 1981) to 10,000 units.

These efforts to curtail the program fly in the face of what this survey's results demonstrate to be the demand for section 202 units. There are an average of 6 section 202 units for every 1,000 elderly persons in the country and less than one-fifth of a project's units become vacant annually. As a result, there are over a quarter of a million persons (270,000) waiting to get into the 1,776 section 202 projects nationwide. These figures represent only a fraction of the true number of persons who want the type of shelter section 202 projects provide. Waiting lists represent only those who chose to apply—not those who were discouraged by the prospect of a long wait and therefore chose not to apply.

Survey results confirm the national demand for section 202 assistance. Program cuts have come not only at a time of high demand but also at a time when demand may be increasing. The enormous projected growth of the elderly population suggests the prospect of rapidly increasing shelter and services needs that the Nation has just begun to recognize.

SERVICES

The stated philosophy of section 202 housing is to "foster independent living." Section 202 projects were intended to be neither intermediary care facilities nor standard apartment rental units. Instead they were meant to provide shelter plus services which are appropriate to the needs of the elderly and handicapped. Although they were originally designed to serve the "well elderly," survey results show that the majority of 202 tenants are "aging in place" and are now in need of more supportive-type services than when they entered the projects. Survey results reveal that the average age of a tenant living in one of the older 202 projects is 78, while the average age of a tenant living in a project built under the new program is only 71. Results also indicate that, overall, 17 percent of these tenants are considered by project administrators to be frail.

Although an average of six onsite services are offered per project, the types of services (such as personal care and housekeeping) that will enable this "aging in place" population to remain independent are offered on a very limited and fragmented basis.

For example, there is no "section 202 services model" that applies to all projects in this program. As a result, project sponsors are free to interpret service needs in whatever way they choose. In the future, Congress will need to develop uniform guidelines to ensure that 202 sponsors will provide supportive services to help their aging populations remain in their dwellings as they age, rather than be institutionalized. One promising model, now only available on a limited basis, is the Congregate Housing Services Program [CHSP]. The CHSP originated in the Congregate Housing Services Act of 1978, which authorized HUD to award grants to public housing authorities and section 202 sponsors to provide nutritional meals and supportive services for tenants in their projects. The program was set up as a demonstration program to be evaluated and possibly reauthorized in 1985. At the end of 1983, 62 CHSP projects serving over 2,000 elderly persons were in operation and preliminary, evaluative cost data show the potential for significant savings over institutionalization.¹

COST CONTAINMENT MEASURES

Recent changes made to the section 202 program in order to increase the cost effectiveness of the program and allow more units to be built with the same amount of money include requirements that: (1) Section 8 recipients in 202 projects pay 30 percent (instead of 25 percent) of the household's adjusted income for rent; (2) at least 25 percent of the units in a project be efficiencies; and (3) sponsors limit the size of the units, congregate space, and number of amenities. Taken together, these new requirements may work to

¹ Anderson E., report on Congregate Housing Services Program, August 1984.

change the program from one of providing housing with supportive services for the elderly to one of providing only minimal housing. For example, the establishment of maximum sizes for apartment units and community spaces removes much of the flexibility in design required to meet the changing needs of an aging population. To serve a more frail elderly population, sponsors need a facility designed with smaller units and more congregate space. Policies of rigidity rather than flexibility may virtually eliminate the possibility of developing a proper facility for an increasingly frail population.

HISTORY AND BACKGROUND OF THE SECTION 202 PROGRAM

ORIGINAL SECTION 202 PROGRAM

The history of the section 202 program falls into three periods: 1959-67, the original implementation period; 1968-73, a period of moratorium and replacement with the section 236 program; and 1974 to present, during which time the program has been revitalized and restructured to serve a wider income range of elderly and handicapped persons.

Section 202 of the Housing Act of 1959 was designed to provide "independent living" for elderly and handicapped individuals whose incomes were above the public housing income limits but below the level to afford conventional housing. Congress enacted section 202 after finding that the section 207 FHA Insurance Program resulted in rents affordable only by upper income elderly persons. Section 202 was part of a three-pronged approach to serving the housing needs of the elderly. It included: (1) Public housing for the low-income elderly; (2) section 202 for the lower middle-income elderly; and (3) section 231 FHA insured housing for the middle-income elderly.

The program provided direct loans from the Federal Government to a nonprofit sponsor at an interest rate of approximately 3 percent and a loan term of up to 50 years. No rental assistance was available, however, because of the below market interest rates, rents were maintained at an affordable level.

Although section 202 loans could be used for rehabilitating or converting existing housing for use by the elderly and handicapped, its primary use was for constructing new housing. The original section 202 program was small in scale and limited to nonprofit sponsors who were able to demonstrate a willingness to maintain a continuing interest in the project. In 1964, Congress expanded the program to include the nonelderly handicapped. Between 1959 and 1968, more than 45,000 units (335 projects) were developed under the original program with no defaults. The projects were primarily newly constructed single buildings of medium to high rise, averaging 140 units of predominantly efficiency apartments.

The geographic distribution of the original program was not even, and did not reflect the distribution of the elderly, with 71 projects in Florida and California and most of the remaining ones in large metropolitan areas in the Northeast and Midwest. There were very few projects in rural areas because of lack of qualified sponsors and high rents relative to medium income.

The original section 202 program benefited a select group of the elderly. In accordance with its intent, the program served basically a middle-income elderly group, with incomes in the range of \$5,000

to \$7,000. No asset limit was set. The tenants reflected the neighborhoods in which the projects were located and the sponsors were often relatively well-established religious, occupational, and fraternal organizations. There were relatively few minority group sponsors. Additionally, although the original program encouraged a service orientation, the emphasis was on locating projects on sites that were close to existing community facilities and services.

The administration of the program was highly centralized. Sponsor selection under the original program was highly individualized and informal. Although applicants were required to demonstrate certain competencies and capacities, the application process involved considerable face-to-face contact with a team of Housing and Home Finance Agency [HHFA, HUD's predecessor] specialists in the 202 program that supervised the entire financing and construction process.

Rising interest rates and criticism of the direct loan mechanism of financing 202 housing led to an effort in 1968 to phase out the program in favor of interest subsidies on conventional loans. The Housing and Urban Development Act of 1968 initiated the section 236 program as a means to expand affordable housing for families and the elderly by encouraging involvement of private developers. Projects were developed with private financing, but the Federal Government subsidized the projects by paying part of the interest costs to the private lenders. Under section 236, the Federal Government could subsidize the interest on an owner's mortgage resulting in a 40-year rate of as little as 1 percent. This, in turn, resulted in reduced rents to tenants. Prior to the assisted housing moratorium in 1971, 365 projects with approximately 60,000 units for low-income families were financed under section 236. One hundred and eighty-two section 202 projects which were in process at the time were converted to section 236.

In addition to enacting section 236 in 1968, Congress also appropriated \$25 million for the 202 program. Whether section 236 should entirely replace 202, or merely supplement it, became the focus of debate in Congress. HUD was determined to phase out the section 202 program in 1968-69, despite congressional appropriations for the elderly housing program during that time. HUD channeled all pending 202 applications into the 236 program and by July 1, 1970, the section 202 program was phased out except for the projects already under construction.

Congress voiced strong disapproval of this action as early as 1969. The Senate report on the Housing and Urban Development Act of 1969 termed the demise of the 202 program "the result of misunderstanding of the 1968 legislation which authorized the section 202 sponsors to convert to section 236 on a voluntary basis, not on a mandatory basis." A 1971 Senate Special Committee on Aging report recommended that:

HUD and FHA should reinstate the 202 program as it functioned through 1968. Transfer to section 236 by sponsors after initial application should be permissible but not mandatory. The Congress should appropriate the \$150 million yearly authorized for this program to provide needed housing for the elderly.

HUD continued the administrative moratorium on section 202 until 1975; however, in 1973 the section 236 program had been eliminated by the Nixon administration's moratorium on all assisted housing construction and was replaced with the section 8 Rental Assistance Program.

During consideration of the Housing Act of 1974, Congress renewed the 202 program as the major Federal vehicle for financing housing for the elderly and handicapped. This decision was based on the successful history of the original 202 program coupled with the goals of the 1971 White House Conference on Aging which identified a need for 120,000 new units of housing for the elderly annually. However, changes which had occurred in the interim period between 1970 and 1974, such as sharp increases in multifamily construction and operating costs, meant that by 1974 the original program had been essentially priced out of the reach of the intended target group. As a result, program changes were made to compensate for the occurrences.

NEW 202/8 PROGRAM

The new 202 program varies in two major respects from the original program. First, the loans bear interest based on current treasury borrowing rates, thus lifting the 3-percent ceiling of the old program. The allowed loan period has continued to be up to 50 years in the legislation, but up to 40 years in administrative directives and regulations. Second, section 8 rental assistance was coupled within the 202 loan providing operating and debt service income, thus allowing the low income access to 202 housing. Section 8—as established by the Housing and Community Development Act of 1974—provides rental assistance payments to housing owners on behalf of eligible residents.

The section 8 contract runs for 20 years. Eligible residents include elderly persons and families who do not have annual income in excess of 80 percent of the median income for the area in which the project is located. However, persons with higher incomes may be admitted and pay market rents. The rental assistance equals the difference between the established "contract rent" for the dwelling unit and 30 percent of the individual's income after allowances. The contract rent for a particular unit cannot exceed the locally "fair market rents" as determined by HUD. The addition of section 8 after 1974 included criteria for site selection in 202 projects. These requirements include consideration of the racial composition of the neighborhood and the potential impact of the project on the area.

Section 8 rental assistance is available to projects other than those developed under the 202 program; however, units constructed under the new 202 program are automatically covered by section 8. A section 202 development must have at least 20 percent of its residents covered by the section 8 program. The link to section 8 makes it possible for lower income elderly to take advantage of the program, using the Federal supplement to meet the still relatively high rent levels of the projects that resulted from the higher loan interest rate changed under the new program and from the currently high construction and operating costs.

Although the original 202 projects were not evenly distributed geographically, the new 202 program calls for a more equitable distribution. Funds are allocated on a geographic basis for metropolitan and nonmetropolitan areas among the 10 HUD regions, taking into account the number of elderly households within each region, those households lacking some or all plumbing facilities, and those with incomes below regionally adjusted poverty levels. Section 202 sponsors may apply for assistance sufficient to finance no more than 300 units in any one region in response to each HUD invitation for fund reservation requests. Under the revised program, between 20 and 25 percent of the total amount of assistance must be allocated to nonmetropolitan areas. However, processing of the applications has revealed there is still a lack of qualified nonprofit sponsors in nonmetropolitan areas.

Compared to the original program, sponsor selection under the new program is more formalized and more decentralized. The new program's procedure emphasizes the review and evaluation of several detailed documents and consists of multiple processing stages in which both field office staff and central office staff are involved.

Finally, the section 202/8 program places a different emphasis on the delivery of services to tenants than did the original program. Under section 202/8, projects are designed to assure a range of necessary services, to facilitate access to them and to encourage and assist occupants in using them. Sponsors are required to place some priority on the provision of services and are asked to assume the leadership in assuring that services are available. The following table presents the differences between the old and new 202 programs.

DIFFERENCES BETWEEN OLD AND NEW SECTION 202 PROGRAMS

Program area	Old 202 program (1959-68)	New 202 program (1974 to present)
Sources and rate of direct financing.	Project financing from general revenues at legislatively determined interest rate—approximately 3 percent.	Project financing through HUD borrowing from Treasury at an interest rate equal to comparable current U.S. obligations (9¼ as of October 1983).
Income limits.....	Section 236 limits (based on 135 percent of public housing limits in the area).	Section 8 limits; overincome tenants are eligible but must pay market rents. Section 8 is available for up to 100 percent of the tenants.
Maximum terms.....	50 years	40 years (section 8 has a 20-year contract).
Eligible occupants.....	Moderate-income elderly and handicapped	Low- and moderate-income elderly and handicapped.
Administrative procedures..	Informal and centralized	Formal and decentralized.
Total projects.....	335	1,441.
Total units.....	45,000	100,524 (as of Oct. 30, 1983).
Total dollars spent ¹	\$573,685,000	\$6,085,297,000. ²

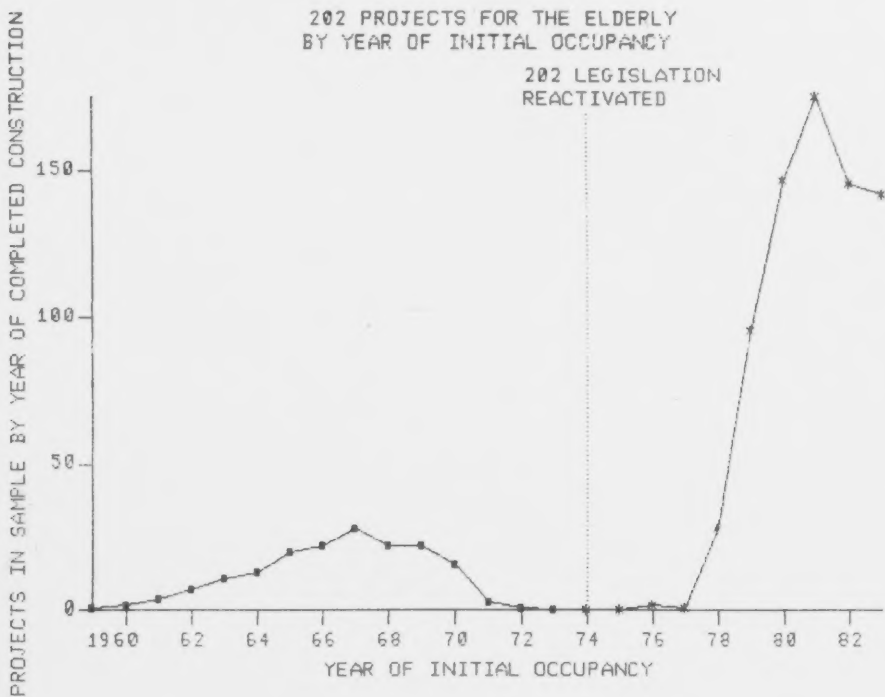
¹ Figures based on total amount of cumulative reservations.

² As of Sept. 30, 1983.

Note.—At the time this survey was conducted, 296 projects (17,320 units) were under construction.

With an initial authorization of \$3.3 billion in 1976, the program has been funded at a level of \$635 to \$850 million annually. In fiscal year 1983, \$633 million in funding is expected to build approximately 14,308 units of housing for the elderly and handicapped. For fiscal year 1984, \$666 million was appropriated to build

an expected 14,000 units of section 202. (The following chart shows the pattern of project activity since 1959.)



SECTION 202 SURVEY RESULTS

Although substantial Federal dollars have been spent on section 202 housing for the elderly under the original and revised programs, little is known about the general and comparative characteristics of these projects, their program costs, and the tenants they serve. In order to draw a more comprehensive picture of the 202 program, in the fall of 1983, the staff of the Senate Committee on Aging conducted a survey to all 202 project administrators and/or sponsors. The following is a synopsis of the major findings from this survey.

METHODOLOGY

On September 5, 1983, questionnaires were mailed to all section 202 project administrators. A computerized mailing list of these projects and their managers and sponsors was provided by HUD. HUD's computerized mailing list contained 1,948 addresses, 172 more project addresses than the 1,776 facilities that had completed construction by October 1983. These 172 projects were not included in the analysis as they represented projects that were either under construction or that had incorrect addresses. A second survey was mailed on October 30, 1983, to all project administrators who had not responded to the first request.

Surveys were completed by 1,129 project managers or sponsors and were returned to the committee by November 30, 1983. The response rate for all surveyed section 202 projects was 64 percent of all the facilities constructed prior to October 30, 1983. An estimated 115,230 section 202 housing units for the elderly were represented in the final sample, representing 79 percent of all such units for the elderly that had completed construction prior to October 1983.

The survey included questions about the client composition of the project; the facility's location, design, and occupancy patterns; operating costs and rent contributions; available services and the project's management (see app. 1.) Respondents were asked to answer questions about their projects based on their administrative records, such as the income distributions of their current residents, and questions about their tenant populations, such as what proportion of their tenants they considered to be frail. The majority of questions applied directly to projects for the elderly. Respondents for projects for the handicapped did not fill out those portions of the questionnaire that did not apply, but did supply valuable information on issues such as the number of elderly persons in their projects, operating costs, and rent contributions.

ANALYSIS

For the purposes of analysis, projects were put into one of three categories: (1) "Newer" projects for the elderly built after 1973; (2) "older" projects for the elderly built prior to 1973; and (3) projects for the handicapped. Part 1 of this report presents survey results for the elderly only. Part 2 presents the results for projects for the handicapped. Survey results were coded for computer processing and these data tabulated for all three types of facilities.

The complete sample included 911 projects for the elderly and 218 projects for the handicapped. Of all projects for the elderly, 739 were "newer" and 172 were "older." This represents a 47-percent response rate for both the original and new programs. Sample sizes for each question in the study vary due to the fact that not all project managers answered all questions. For instance, 25 project managers did not supply information on the number of housing units in their building, so for this question the sample size is 1,113, 25 projects less than the total sample size of 1,138.

PART 1: PROJECTS FOR THE ELDERLY

PROJECT CHARACTERISTICS

REGION

The majority of projects are in the South and North-Central regions: The geographic distribution of 202 projects for the elderly is not even. Almost two-thirds of all 202 projects for the elderly are in the South and North-Central regions of the country (30 percent each), 22 percent are in the Northeast, and 18 percent are in the Western United States (table 1). This trend is similar for old and new projects.

TABLE 1.—GEOGRAPHIC DISTRIBUTION OF 202 PROJECTS FOR THE ELDERLY

	Old (n = 165)	New (n = 720)	Total 202 projects for the elderly (n = 885)
Percent within region:			
Northeast	18	23	22
South	28	30	30
Northcentral	29	31	30
West	25	17	18
Number within sample:			
Northeast	29	162	191
South	47	217	264
Northcentral	48	221	269
West	41	120	161

¹ Figures do not total to 100 percent due to rounding.

n = number in sample.

CONSTRUCTION

The majority of projects were constructed under the 202/8 program: Due to increases in construction of projects after the reactivation of section 202 in 1974, the majority of 202 projects are

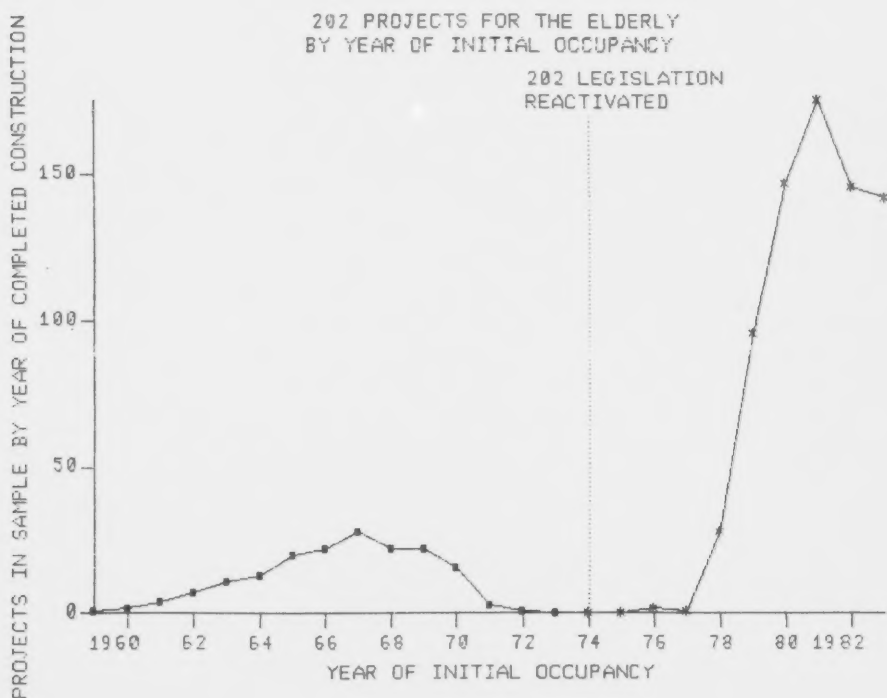
"new" or 202/8 projects. Four out of five of all 202 projects for the elderly have been built under the new program (table 2 and chart 1).

TABLE 2.—DISTRIBUTION OF PROJECTS FOR THE ELDERLY WITHIN THE 202 PROGRAM

Projects for the elderly	Percent	Number within sample
Old	15	172
New	65	739
Total 202 projects for the elderly	80	911
202 projects for the handicapped	19	218
Total 202 projects in sample		1,129

Figures do not total to 100 percent due to rounding.

CHART 1



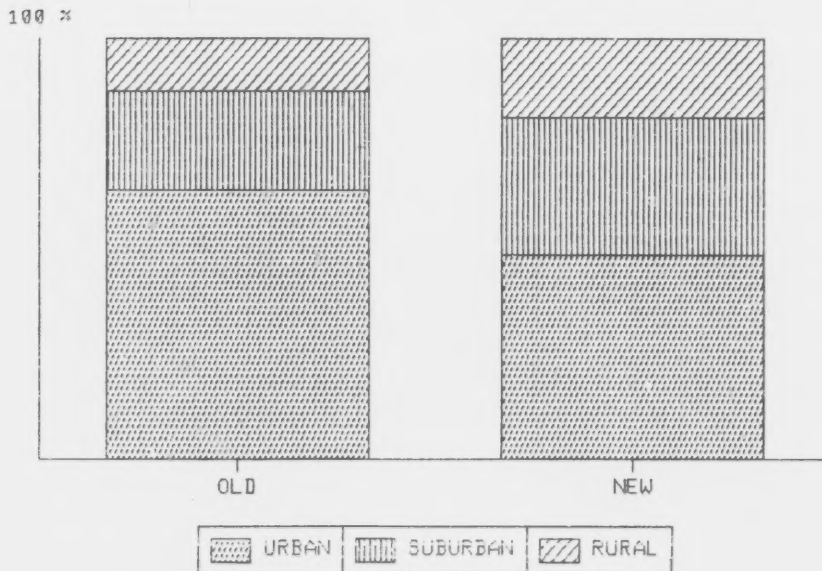
LOCATION

Urban and suburban projects outnumber rural projects: The typical 202 project for the elderly is located in an urban or suburban area. Fifty percent of all projects are in urban areas, 32 percent are in suburban areas, and 18 percent are in rural areas. This distribution has shifted toward an increase in suburban and rural locations and a decrease in urban locations since the inception of the original 202 program in 1959 (chart 2). Over two-thirds of older projects are located in urban areas (64 percent), 24 percent are suburban,

and 13 percent are rural. Almost half, 48 percent, of newer projects are in urban areas, while 33 percent are suburban, and 19 percent are rural.

CHART 2

202 PROJECTS FOR THE ELDERLY
URBAN, SUBURBAN AND RURAL DISTRIBUTION



PROJECT SIZE

Older projects are larger than newer projects: 202 projects for the elderly have an average of 101 units housing an average of 108 residents per facility (table 3). Older facilities are generally larger than newer projects, with an average of 139 units and 150 residents, while newer projects average 92 units and 99 residents; 45 percent of older facilities have 150 or more units while 21 percent of newer facilities are this size.

TABLE 3.—SIZE OF 202 PROJECTS FOR THE ELDERLY BY AVERAGE NUMBER OF RESIDENTS AND UNITS

	Percent in category—		
	Old (n = 170)	New (n = 730)	Total 202 projects for the elderly (n = 900)
by number of units:			
1 to 49.....	14	17	16
50 to 99.....	18	35	32
100 to 149.....	22	33	31
150 to more.....	45	15	21

	(n = 165)	(n = 727)	(n = 892)
Size by number of residents:			
1 to 39.....	5	13	12
40 to 89.....	22	31	29
90 to 129.....	15	32	29
130 and more.....	57	23	29
	Old	New	All projects for the elderly
Average number of residents.....	149 (n = 170)	98 (n = 727)	108 (n = 892)
Average number of units.....	139 (n = 170)	92 (n = 731)	101 (n = 901)

Figures do not total to 100 percent due to rounding.

UNIT DESIGNS

The majority of units in the original 202 program are efficiencies, while one-bedroom units dominate the newer program: The architectural design of projects under the new program is dominated by efficiency units, while construction under the new program is dominated by one-bedroom units. Close to three-fifths of the units in older projects are efficiencies (58 percent), while well over four-fifths of apartments in newer projects are one-bedroom units (91 percent) (table 4). HUD prohibits the construction of two-bedroom units except for the resident management. Consistent with this regulation, a small proportion, under 3 percent, of apartments in both programs are two-bedroom units.

TABLE 4.—UNIT DESIGN AND OCCUPANCY RATES OF 202 PROJECTS FOR THE ELDERLY

	Old projects (n = 165)	New projects (n = 733)	Total 202 projects for the elderly (n = 898)
Unit design of projects:			
Efficiencies.....	59	6	20
1 bedroom.....	39	91	78
2 bedrooms.....	2	3	2
	(n = 156)	(n = 683)	(n = 839)
Occupancy patterns of projects:			
Single occupancy.....	81	83	83
Double occupancy.....	19	17	17

Figures do not total to 100 percent due to rounding.

OCCUPANCY PATTERNS

The majority of resident units in both programs are occupied by one person: Close to four-fifths (81 percent) of the units in both the older and newer programs are occupied by one tenant (table 4). This trend is the same for both the old and new programs. Eighty

percent of units in the old program are single occupancy, while this figure is 81 percent in the new program.

OPERATING COSTS

The average per-unit operating cost for older projects is lower than for newer projects: The typical 202 project has average annual operating costs of \$1,970 per unit. Average monthly operating costs are \$164 per unit.

Average operating costs for older projects are higher than costs for newer projects, but because older projects are also larger, the per-unit cost for older facilities is slightly lower than the per-unit cost for newer facilities. Older projects have average annual operating costs of \$1,904 per unit. Monthly operating costs for older projects are \$159 per unit. Newer projects have average annual operating costs of \$1,998 per unit. Monthly operating costs for newer projects are \$166 per unit.

On average, the rent contributions of tenants more than covers the operating costs of older 202 facilities. Rent contributions are generally 14 percent higher than the operating costs of a typical 202 facility. For newer projects tenant rent contributions cover only 88 percent of operating costs. However, rental assistance from section 8 make up some of the difference in the ratio of rent to operating costs for newer projects.

SPONSORSHIP

Religious organizations sponsor over three-fifths of all 202 projects for the elderly: The kinds of organizations which were selected to sponsor the original section 202 projects tended to be those who could demonstrate their ability to construct and operate such a project. Usually, these organizations were well-established religious, occupational, or fraternal groups that named the projects so that they were identified with the group and located the projects in close proximity to their organization. These projects were often situated in white, middle-class neighborhoods and attracted clients who were members of their organization or of similar economic and social status. There was concern that under this approach the low-income elderly and minorities were not being adequately served. With the implementation of the new program, it was expected that the types of organizations that could construct and operate facilities would be expanded, allowing for more accessibility to minority applicants. Indeed, sponsorship by minority groups is 9 percent higher in the new program than it was under the original program.

Religious organizations sponsor almost three-fifths, 59 percent, of all section 202 projects for the elderly, community-based organizations sponsor another 32 percent and fraternal organizations, unions, and consumer co-ops sponsor the remaining 9 percent (table 5). For older projects, religious groups sponsor 58 percent; community-based groups, 28 percent; fraternal groups, 7 percent; union, 6 percent; and community co-ops, under 1 percent. For newer projects, religious groups sponsor 59 percent, community-based groups, 33 percent; fraternal groups, 5 percent; unions, 2 percent; and community co-ops, under 1 percent.

TABLE 5.—SPONSORSHIP OF 202 PROJECTS FOR THE ELDERLY

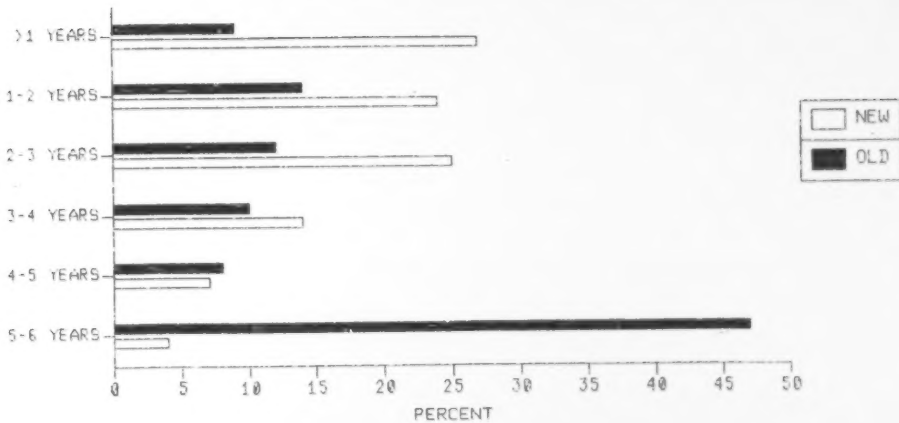
	Old (n = 156)	New (n = 659)	Total of 202 projects for the elderly (n = 815)
Religious.....	58	59	59
Fraternal	7	5	5
Union	6	2	3
Consumer co-op	1	1	1
Community based.....	28	33	32

Sponsorship by minority organizations, regardless of religious, fraternal, or related sponsorship, has increased from 9 percent under the original program to 18 percent under the new program. Sixteen percent of all 202 projects for the elderly are sponsored by minority organizations.

TENURE OF MANAGEMENT

Managers of projects in the original program have significant administrative longevity: Almost half, 47 percent, of managers of projects under the original 202 program have been administering their particular facility for 5 or more years (chart 3). An additional 18 percent have 3 to 5 years of tenure. Since almost two-thirds of the 202 projects in the revised program have been open to tenants for only 3 years or less, periods of tenure are understandably shorter for managers of projects under the revised program. Over one-quarter, 27 percent, of managers in projects under the new program have been managing their project for less than 1 year, while almost half, 49 percent, have 1 to 3 years tenure at their current project.

CHART 3

202 PROJECTS FOR THE ELDERLY
TENURE OF CURRENT MANAGERS

FUNDING FROM OTHER SOURCES

The primary source of outside income for projects is from interest on bank accounts: Survey respondents were asked to supply information on other sources of income or subsidies that projects receive. Sixty-two percent of projects receive funding from interest payments on bank accounts, 32 percent from income from laundry services, 6 percent from rental space, and 2 percent from contributions. These figures vary for old and new projects. Seventy percent of projects under the original program receive interest payments on bank accounts, 21 percent from laundry services, 9 percent from commercial rental space, and 4 percent from contributions. Fifty-nine percent of projects in the revised program receive interest payments on bank accounts, 5 percent from commercial rental space, 1 percent from contributions, and 35 percent from laundry services.

TENANT CHARACTERISTICS

AGE

Older projects have higher proportions of elderly in the advanced age ranges: The average age of tenants in all 202 sponsored housing for the elderly is 72 years old (chart 4 and table 6). As would be expected, older projects have experienced the "aging in place" phenomenon, where large numbers of tenants who moved in during their early retirement years have now entered the more advanced age ranges. For instance, 39 percent of the residents in older 202 projects are over age 80, while only 18 percent of residents in newer projects are in this age category. The average age of tenants

in older projects is 78 years, while the average age of tenants in newer projects is 71 years.

CHART 4

202 PROJECTS FOR THE ELDERLY
AGE DISTRIBUTION OF TENANT POPULATION

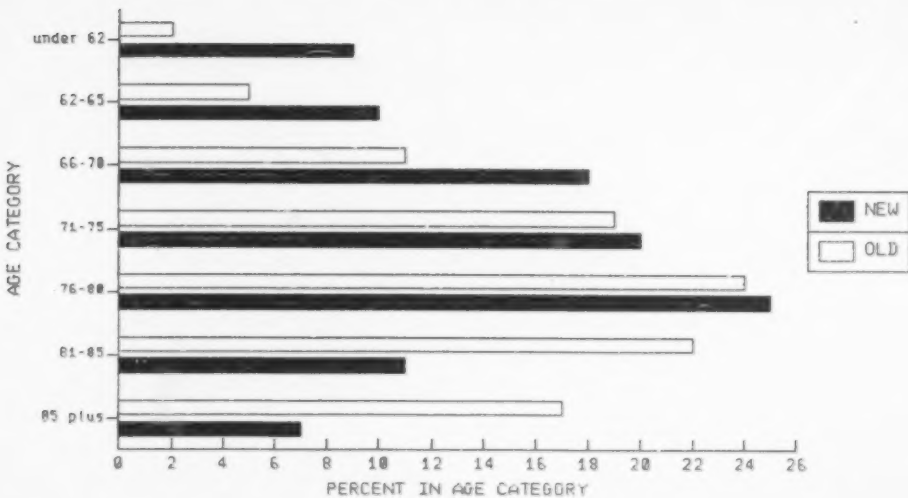


TABLE 6.—AGE DISTRIBUTION OF 202 PROJECTS FOR THE ELDERLY TENANT POPULATION

	Average number of persons per project by age category		
	Old (n=155)	New (n=716)	All projects for the elderly (n=879)
Percent in age category:			
Under age 62.....	2	9	7
62 to 65.....	5	10	9
66 to 70.....	11	18	17
71 to 75.....	19	20	20
76 to 80.....	24	25	25
81 to 85.....	22	11	14
Over age 85.....	17	7	9
Average age in years.....	78	71	72

Figures do not total to 100 percent due to rounding.

MALE, FEMALE DISTRIBUTION

Older women dominate the 202 tenant population: Elderly women in section 202 housing outnumber elderly men three to one, representing a greater disparity than in the population at large where elderly women outnumber elderly men three to two; 77 percent of the overall 202 tenant population are women, while 23 percent are men.

This disparity is slightly more pronounced in the older projects where 78 percent of tenants are women and 22 percent are men.

For newer projects, an average of 77 percent of residents are women and 23 percent are men.

INDEPENDENCE VERSUS FRAILTY OF TENANT POPULATION

One out of six elderly 202 tenants are considered frail: 202 projects are designed to provide "independent living" for elderly residents who do not have substantial long-term care needs. However, as residents "age in place" they tend to develop the need for services that are not provided in the majority of 202 projects. Survey results demonstrate that at least one out of six persons (17 percent) currently living in 202 housing for the elderly are considered by project administrators to be frail.

As would be expected from the older average age of tenants in the original 202 program, these facilities have a slightly higher than average proportion of frail residents, with 19 percent considered by management to be frail. The percentage of frail residents in newer projects is 17 percent. Older rural projects have a significantly higher proportion of frail elderly persons. An average of 33 percent of the residents in these projects are frail.

INCOME

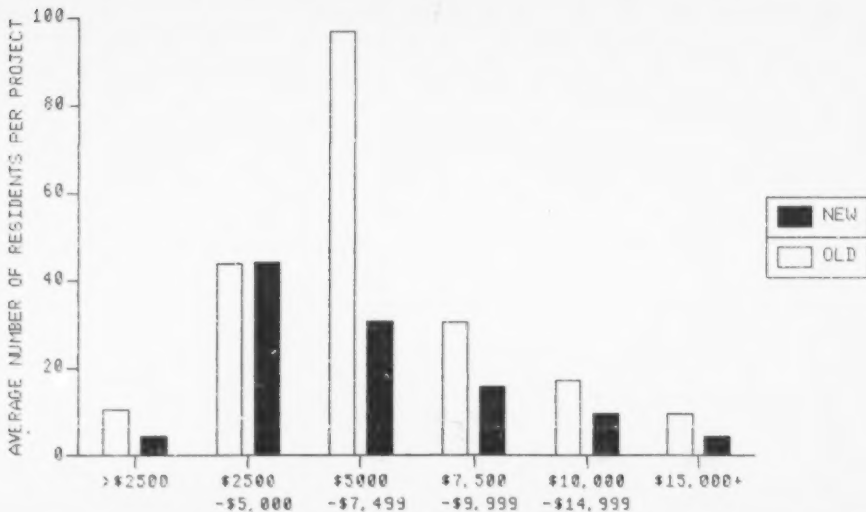
The average 202 tenant income is lowest in new projects: The original 202 program was targeted toward the moderate income group whose financial resources were above the public housing income limits but below the level to be able to afford market rate housing. The newer program is targeted toward individuals with moderate and low incomes (table 7 and chart 5). The average gross income of the typical 202 resident is \$6,091, \$6,535 for older projects and \$6,028 for newer projects.

TABLE 7.—INCOME DISTRIBUTION OF RESIDENTS IN 202 PROJECTS FOR THE ELDERLY

	Old projects (n = 101)	New projects (n = 680)	Total 202 projects for the elderly (n = 790)
Percent in income category:			
Under \$2,500	3	3	3
\$2,500 to \$4,999	22	43	39
\$5,000 to \$7,499	51	30	34
\$7,500 to \$9,999	15	14	14
\$10,000 to \$15,000	7	8	8
Over \$15,000	2	2	2
Average gross income	\$6,535	\$6,028	\$6,091

CHART 5

202 PROJECTS FOR THE ELDERLY
AVERAGE NUMBER OF RESIDENTS PER PROJECT BY INCOME CATEGORY



Income limitations for 202 projects require that eligible households have incomes under 80 percent of the median in their area, adjusted for family size. Households with higher incomes may live in projects by paying market rents. Therefore, the income distribution of elderly 202 residents demonstrates a considerable range of incomes from below \$2,500 to over \$15,000, although the distributions are skewed toward the low end of the income spectrum. In addition, large numbers of projects do not have significant numbers of residents at either the lowest or highest end of the income scale. For instance, out of the sample of 677 projects in the revised program 58 percent of project administrators reported that they did not have residents with incomes over \$15,000 and 56 percent reported that they did not have residents with incomes below \$2,500.

According to results of the survey, the average income ceiling limit for all 202 facilities for the elderly is \$13,763 for one person and \$15,957 for two persons. For applicants to projects in the original program, the average income ceiling limit was \$13,951 for one person and \$15,922 for two persons. For applicants to projects in the newer program, the average limit is \$13,723 for one person and \$15,964 for two persons.

RENT CONTRIBUTIONS

Tenants in older projects pay higher rents than tenants in newer projects: Residents in all 202 housing for the elderly pay an average of \$1,832 annually for rent, \$153 per month. Projects in the newer 202/8 program are able to provide housing to low-income residents at lower rental rates than those projects constructed under the original 202 program. This is because under section 8 the Federal Government pays the difference between project rents and 30 percent of a tenant's income. The average rent for residents in older

projects is \$2,977 annually or \$248 per month. The average rent for residents of newer projects is \$1,570 annually or \$131 per month.

Only 8 percent of all projects for the elderly in the sample supplied information regarding the amount of money residents pay for utility fees in addition to rent, although 32 percent reported that tenants pay utility fees separately from rents. For those residents in the facilities who reported separate utility costs, the average cost in 1982 was \$378 or \$31 per month. For residents in older projects utility fees for this year were \$304 or \$25.33 per month. For residents of newer facilities, utility fees were \$393 or \$33 per month. It must be emphasized that these figures are based on a small fraction of the entire sample, and, therefore, are much less reliable than results for other portions of the survey.

TURNOVER RATES AND REASONS FOR LEAVING

On average, less than one-fifth of a project's units become vacant annually: Based on respondents' administrative records for 1982, the typical 202 project had a turnover rate of 16 percent of their units. For this year, 32 percent of vacancies were due to the death of a resident, 27 percent due to transfers to nursing homes, 15 percent due to moving in with a relative, 14 percent due to moving to another project, and the remaining 12 percent were due to other reasons.

Projects under the original program have substantially higher rates of transfers to nursing homes than projects in the new program: 38 percent of vacancies in older projects are due to transfers to nursing homes while this figure is 22 percent for newer programs.

WAITING LISTS

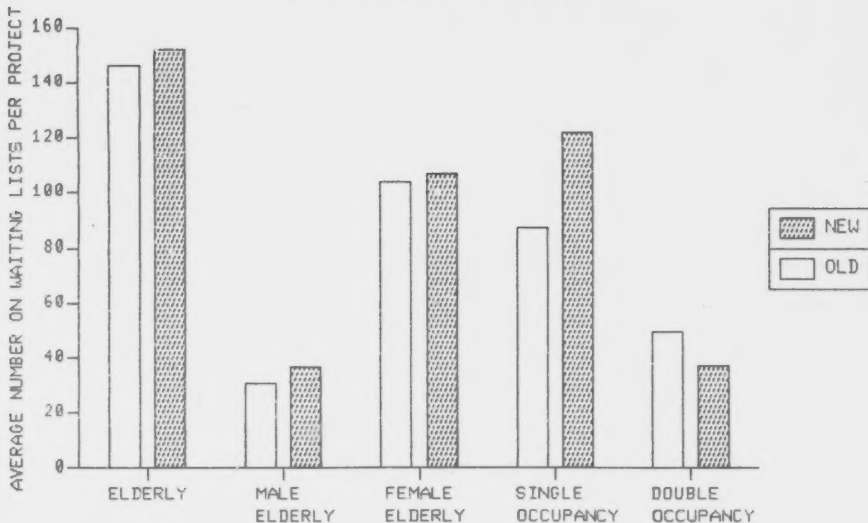
THE NATIONAL PICTURE

For the majority of projects with long waiting lists, only one out of five applicants per year can expect to get into the project to which he or she applied: According to estimates based on the total number of persons in the sample on current waiting lists, there are presently over a quarter million persons, 270,000, waiting to get into the 1,776 section 202 projects for the elderly that had completed construction prior to October 30, 1983. Presently, there are an average of 6 202 units for every one thousand elderly persons in the country.

The typical section 202 facility for the elderly has 146 persons 62 years of age or older waiting to get into an average of 16 to 17 units that become available in a year (chart 6). Eighty-seven percent of all 202 projects for the elderly have annual waiting lists larger than the annual number of vacancies, 78 percent for older projects, and 89 percent for newer facilities. Only one out of five applicants to these projects per year, 21 percent, can expect to get into the facilities to which he or she applied. This figure is 29 percent for projects in the original program and 19 percent for projects in the revised program.

CHART 6

202 PROJECTS FOR THE ELDERLY
AVERAGE NUMBER OF PERSONS ON WAITING LISTS



About three out of four, 74 percent, of all applicants to 202 housing are women. About one-fourth, 26 percent, of applicants are elderly men. This disparity may be explained by the fact that in the country's elderly population women outnumber men by 3 to 2, and by the fact that older men tend to live in family settings where there is someone present to provide care when it is needed, while older women tend to live alone and are more likely to want to move to a facility that provides a more secure, community environment.

Older and newer projects do not differ greatly in the length of waiting lists. Older projects have an average of 145 people 62 years or older per project on waiting lists, while newer projects have an average of 146 persons per project in this age group waiting to get in.

All 202 projects in both programs are required to make 10 percent of their units accessible to handicapped persons. All 202 projects for the elderly had an average of 12 handicapped persons per waiting list, 6 handicapped persons 62 years or older and 6 under age 62. Older projects had smaller numbers of handicapped persons on their waiting lists than newer projects, with an average of 5 per project, while newer projects average 14 handicapped persons on their waiting lists.

It is highly likely that these figures represent an undercount for the true number of persons who would like to live in section 202 housing if it were available. Individual projects tabulate waiting lists only for those persons who have filled out applications. One respondent states:

Our waiting lists reflects only those who chose to apply—not those who were discouraged by the prospect of a long wait and who did not fill out the application. * * *

Other projects have established quotas in which they cut off their waiting lists at specified levels, so that their lists do not include the number of persons who have been turned away.

While the majority of projects have large numbers of qualified applicants on their waiting lists, a small portion of projects have vacancies they can not fill. Thirteen percent of all projects have waiting lists smaller than their annual vacancy rate. This figure is 22 percent for older projects and 11 percent for newer projects.

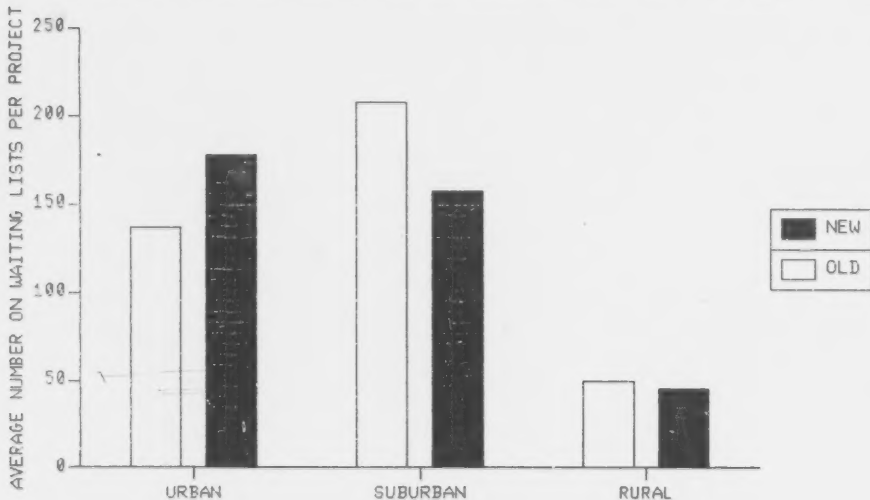
Rural projects are the most likely to have difficulties filling vacancies. For instance, one respondent states:

As a general rule, rural communities have had difficulty in establishing adequate waiting lists. Many rural residents prefer to remain in their own homes until their health or the condition of their home deteriorates to a state where alternative housing is their only choice. However, at that time, many applicants are not suitable candidates for independent living alone since they have a greater need for support services than can be provided.

This problem is reflected in lower average waiting lists for both older and newer rural projects (chart 7). Older rural projects have an average of 50 persons per project waiting to get in, while older urban facilities average 137 persons per project and older suburban facilities average 208 persons. Newer rural projects average 45 persons per waiting list, while newer rural projects average 178 persons and new suburban projects average 157 persons.

CHART 7

202 PROJECTS FOR THE ELDERLY
AVERAGE NUMBER OF PERSONS ON WAITING LISTS BY LOCATION OF PROJECT



Another problem identified by survey respondents is that many people who would like to move to section 202 housing must sell a home prior to getting in and cannot take advantage of vacancies when they become available.

DIFFERENCES IN WAITING LISTS BY LOCATION

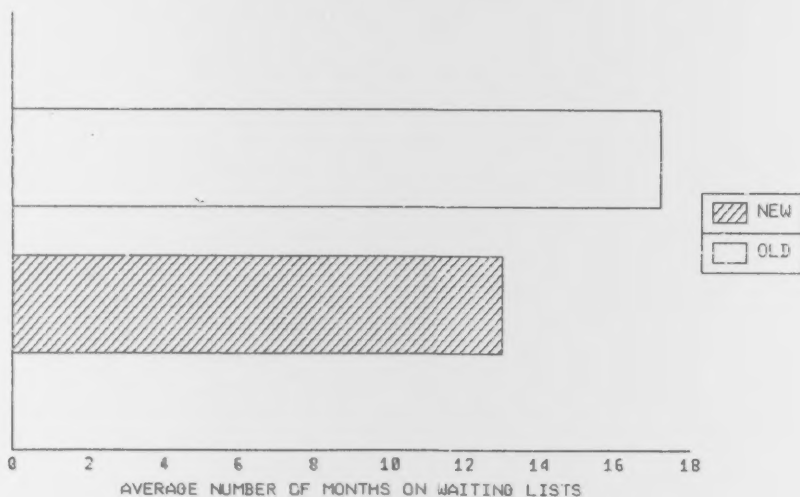
Based on the length of waiting lists, there is a greater shortage of 202 units in the Northeast than in other parts of the Nation: Waiting lists for section 202 housing for the elderly in the Northeastern region of the country are significantly longer than those in the West, Southern, or North-Central regions. This pattern is consistent for both old and new projects. In the West, waiting lists average 80 applicants per older project and 93 per newer project, while in the Northeast waiting lists average 234 persons per project and 253 per newer project. Waiting lists averages for the Southern and North-Central region are not as extreme. In the South, an average of 149 persons per project are waiting to get into older facilities and 154 per project are waiting to get into newer facilities while in the North-Central region 143 persons per project are waiting to get into older facilities and 154 per project are waiting to get into newer facilities.

LENGTH OF TIME ON WAITING LISTS

Elderly applicants to 202 housing average over 1 year on waiting lists: The average amount of time spent on waiting lists is 13 months, 15 months for older projects and 13 months for newer projects (chart 8). This figure is reflective of the length of time applicants have been on current waiting lists as reported by project administrators in the sample, not the length of time current residents have waited before moving into projects. The great majority of applicants never get into the projects they have been waiting for. As previously noted, an average of 21 percent of applicants per year actually are able to move into the 202 facilities for which they have applied.

CHART 8

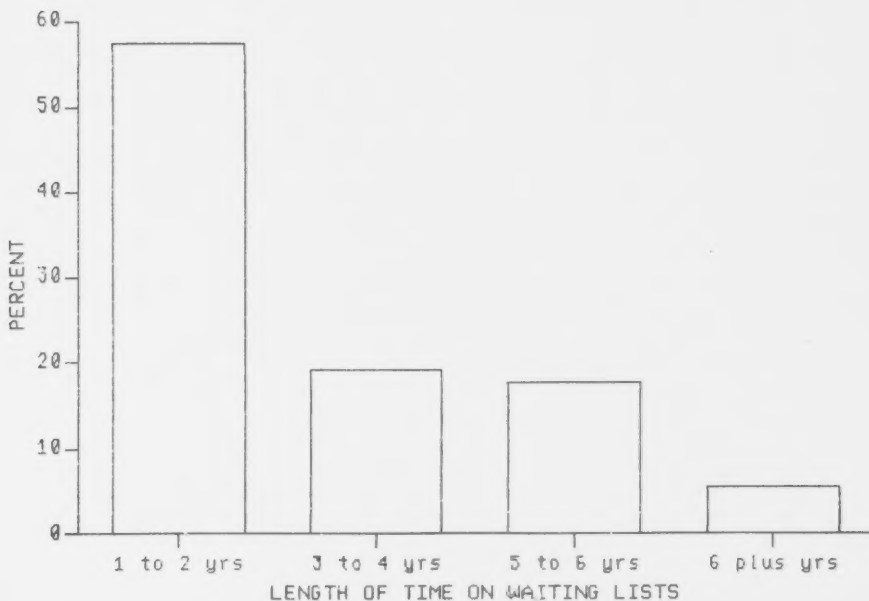
202 PROJECTS FOR THE ELDERLY
AVERAGE LENGTH OF TIME ON WAITING LISTS



The majority of applicants for 202 housing for the elderly are on waiting lists for over 1 year (chart 9). Fifty-nine percent of applicants for 202 projects for the elderly have been on waiting lists over 1 year and 35 percent have been on waiting lists over 2 years. Sixty-five percent of applicants for older projects have been on waiting lists 1 year and 43 percent have been on waiting lists over 2 years. Fifty-eight percent of applicants for newer projects have been waiting over 1 year and 33 percent have been waiting over 2 years.

CHART 9

202 PROJECTS FOR THE ELDERLY
LENGTH OF TIME ON WAITING LISTS



DOUBLE VERSUS SINGLE OCCUPANCY

Three-quarters of applicants are for single-occupancy units: Close to three-quarters, 74 percent, of all elderly persons on waiting lists have applied for single-occupancy units, while 26 percent have applied for double-occupancy units. This trend varies significantly for projects under the original and revised programs. For older projects, 66 percent are waiting for single occupancy and 34 percent for double occupancy. For newer projects, 85 percent are waiting for single occupancy and 15 percent for double occupancy.

202 projects for the elderly average 88 people per project waiting to get into single-occupancy units in older projects and 122 per project waiting to get into single-occupancy units in newer projects (see chart 7). Smaller, but significant, numbers are waiting to get into double-occupancy units. An average of 50 people per project are waiting to get into double-occupancy units in older projects and

37 per project are waiting to get into double-occupancy units in newer projects.

SERVICES

TYPE

The typical 202 project for the elderly offers an average of six services to residents: One of the most controversial aspects of housing for the elderly is the availability or lack of services for residents. Under the old 202 program, HUD guidelines did not emphasize services. Under the new program, projects are required to assure a range of necessary services, to facilitate access to them, and to encourage and assist occupants in using them. Services do not have to be on the site, but the project must be located so that residents can have convenient access to community-based services. If the services are not offered by the sponsor onsite, they may be offered offsite by another agency with access assured by the sponsor. However, despite this emphasis, HUD funds may not pay for services except when a Congregate Housing Services Program [CHSP] grant has been awarded. Because of the differences in approach to services between the old and new programs, the following discussion will discuss and compare the old and new programs only and will not provide aggregate information on service delivery for the entire 202 program for the elderly.

The committee's survey included a list of 11 services most frequently needed by elderly persons living in community settings. Survey respondents were asked to supply information on whether each of these services was offered to their project's residents and, if such services were offered, how often they were provided (tables 8 and 9). For both old and new programs, the typical project offers an average of six of these services to their residents, either through onsite or community service delivery. One of the most striking findings of the committee's study is that projects under the original program are not lagging far behind newer projects in regard to the proportion of facilities that are presently able to offer services to their clients, even though under the newer program, projects are mandated by HUD to supply services and have more flexibility because of additional supplements from section 8.

TABLE 8.—202 PROJECTS FOR THE ELDERLY OFFERING SERVICES

	Percent of projects offering services		
	Old (n = 172)	New (n = 739)	Total 202 projects for the elderly (n = 910)
Housekeeping.....	035	031	032
Personal care.....	20	26	25
Counseling.....	34	40	39
Delivered meals.....	51	46	47
Transportation.....	48	57	55
Arts and crafts.....	48	57	56
Entertainment.....	64	58	59
Recreation.....	60	57	57
Shopping.....	55	53	53

TABLE 8.—202 PROJECTS FOR THE ELDERLY OFFERING SERVICES—Continued

	Percent of projects offering services		
	Old	New	Total 202 projects for the elderly
	(n = 172)	(n = 739)	(n = 910)
Religious services onsite	67	52	55
Transportation to religious services.....	33	31	31

TABLE 9.—FREQUENCY OF SERVICES OFFERED BY 202 PROJECTS FOR THE ELDERLY

	Old (n = 172)				New (n = 739)			
	1 to 2 times per month	3 to 4 times per month	4 plus times per month	As needed	1 to 2 times per month	3 to 4 times per month	4 plus times per month	As needed
Housekeeping	2	6	11	72	13	6	24	57
Personal care	2	7	11	80		7	10	83
Counseling	4	3	9	84	2	4	4	90
Delivered meals		1	29	70	1	1	25	72
Transportation	4	6	37	53		7	36	57
Arts and crafts	12	17	52	19	9	17	51	23
Entertainment	37	13	28	22	31	17	34	18
Recreation	43	7	10	40	50	4	7	39
Shopping	15	11	56	17	13	15	56	16
Religious services onsite	15	17	59	8	15	13	64	7
Transportation to religious services.....	4	11	40	45		13	53	33

The types of services most frequently offered are transportation, entertainment, recreation, arts and crafts, shopping, and religious services. Over 50 percent of the projects in the older and newer 202 programs are presently offering these services. Housekeeping and personal care services are offered by 35 percent or less of old and new projects.

For those projects who offer housekeeping, personal care, counseling, delivered meals, and transportation, the majority of projects offer them on an as-needed basis (see table 9).

Smaller facilities tended to offer fewer services than larger facilities. Both older and newer projects whose unit size is under 50 units average 5 services per project, while older projects with 100 or more units average 6 services per project and newer projects in this category average 7 per project.

One of the most frequently mentioned concerns about 202 service delivery, is whether rural facilities are at a disadvantage in their ability to offer services. For some services—counseling, arts and crafts, entertainment, recreational trips, transportation for shopping, onsite religious services and transportation to religious services—newer rural projects have slightly lower rates than urban or suburban projects. (The sample size for older projects in urban, suburban and rural areas was too small to provide adequate analysis for this variable.) However, the proportion of newer rural projects offering housekeeping, personal care, and transportation services is similar to urban and suburban projects and the proportion of

newer rural projects using delivered meal programs is greater than for similar projects in urban and suburban areas.

For the small number of projects ($n=44$) that provided information on the amount of outside funding received for service delivery, the average was \$94,347 per project.

MEAL PROGRAMS

AVAILABILITY

One-third of all projects offer meal programs to tenants: 33 percent of all 202 facilities for the elderly offer meal programs and 40 percent have central dining facilities. Survey respondents whose programs offered meal programs were asked to identify whether these programs are voluntary or mandatory and whether they are offered on a part- or full-time basis; 63 percent of those facilities offering meal services provide a voluntary program, 23 percent provide a full-time mandatory program, and 14 percent provide a mandatory part-time program (table 10 and chart 10).

TABLE 10.—PROJECTS FOR THE ELDERLY OFFERING MEAL PROGRAMS IN THE 202 PROGRAM

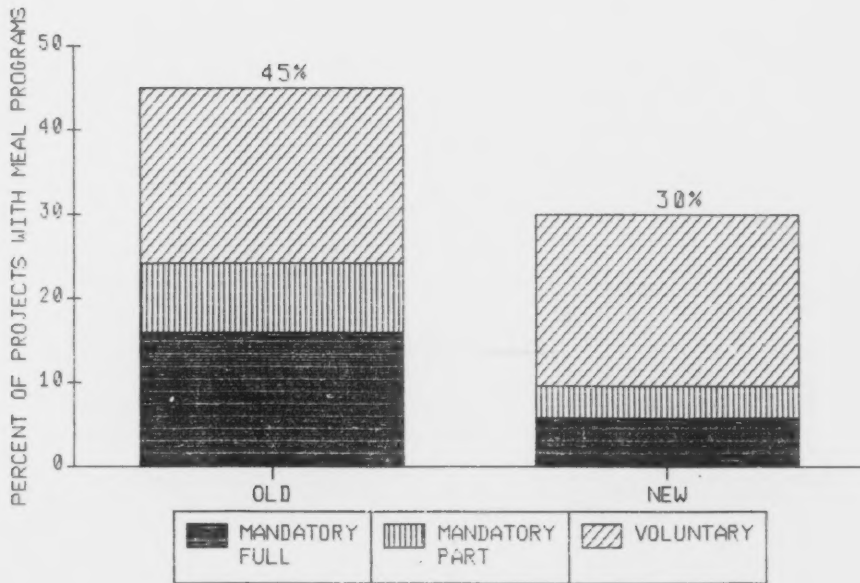
[In percent]

	Old	New	All 202 projects for the elderly
Projects offering meal programs.....	45 (n=172)	30 (n=739)	33 (n=911)
Voluntary meal programs.....	46 (n=72)	68 (n=233)	63 (n=305)
Mandatory part-time meal programs ¹	35 (n=72)	13 (n=233)	23 (n=305)
Mandatory full-time meal programs ¹	19 (n=72)	19 (n=233)	14 (n=305)
Projects with central dining facilities.....	42 (n=172)	39 (n=739)	40 (n=911)

¹ Identified by program administrator as full or part-time.

n = number in sample.

CHART 10

202 PROJECTS FOR THE ELDERLY
PARTICIPATION IN MEAL PROGRAMS

A greater proportion of projects in the original 202 program offer meal programs to residents (45 percent) than projects in the newer program (30 percent). Over half (54 percent) of the projects offering meal services in the older program require either full- or part-time participation, while less than one-third (32 percent) of newer projects require mandatory participation.

Older projects that provide mandatory meal programs offer an average of 13 meals per week at an average cost of \$111 per month per tenant. Newer projects that provide mandatory meal programs offer an average of eight meals per week at a cost of \$76 per resident. Projects in the revised program exempt an average of 19 percent of residents from the mandatory meal program. (The sample size for this variable for older projects was too small to analyze with confidence).

Larger projects in the revised 202 program are the most likely to have a central dining facility. Sixty-one percent of newer projects with 150 or more units have a central dining facility, while this figure is 45 percent for projects with 100 to 149 units, 32 percent for projects with 50 to 99 units, and 22 percent of projects with 49 or less units.

PART 2: PROJECTS FOR THE HANDICAPPED

An important feature of the Housing and Community Development Amendments of 1978 was the set-aside of \$50 million for section 202 housing for nonelderly handicapped persons. Previously, the handicapped and elderly were included together for these pro-

grams. With these amendments, Congress specified that they be considered as a separate group, and appropriations for each fiscal year since 1978 have had specific set-asides for the nonelderly handicapped.

Fifty-three percent of all section 202 facilities for the handicapped responded to the committee's survey. However, because the focus of the survey was on programs for the elderly, many of the survey questions were not appropriate for analysis of projects in this group. The following is a brief overview of the major findings that are relevant to the section 202 program for the handicapped.

PROJECT CHARACTERISTICS

REGION AND LOCATION

In contrast to 202 projects for the elderly, 202 projects for the handicapped are approximately evenly divided between the four major regions of the country. Four-fifths (80 percent) of projects for the handicapped are in urban/surburban areas. The remaining 20 percent are in rural areas.

Project size

In line with HUD's policy of requiring smaller projects for handicapped persons which can provide a more normal and home-like atmosphere, 202 projects for the handicapped are much smaller than 202 projects for the elderly. The typical project has approximately 17 residents and 14 housing units. Ninety-six percent of projects have less than 50 units and 94 percent have less than 40 residents.

Unit design

An average of four out of five units in projects for the handicapped are one-bedroom units, 13 percent are two-bedroom units and 7 percent are efficiencies. Three-fourths of the units in projects for the handicapped are single-occupancy units and the remaining fourth are double-occupancy units.

Operating costs

The average per unit operating cost for 202 projects for the handicapped is \$10,442 annually or \$870 per month. The average annual rent contributions of tenants in projects for the handicapped cover only 55 percent of the average annual operating costs of a typical project.

Sponsorship

In contrast to 202 projects for the elderly, three-fifths of which are sponsored by religious organizations, 95 percent of projects for the handicapped are sponsored by community-based organizations. A small portion, 4 percent of projects are sponsored by religious organizations and 1 percent are sponsored by other organizations such as fraternal groups and unions.

Tenure of management

Almost two-fifths (39 percent) of administrators of projects for the handicapped have less than 1 year of tenure at the project that they are currently managing. Another 35 percent have been at the project they are currently managing for 1 to 2 years, 15 percent have been there for 2 to 3 years, and the remaining 11 percent have been there over 3 years.

TENANT CHARACTERISTICS

AGE AND MALE/FEMALE DISTRIBUTION

The average age of tenants in 202 residences for the handicapped is 34 years old. On average, projects for the handicapped have one resident who is 62 years or older. The tenant population is generally evenly divided between males and females, with an average of 8 men and 8 women per project. An average of 54 percent of handicapped residents are considered by project managers to be totally independent and 25 percent are considered to require assistance in daily living.

Income

The average gross income of residents in facilities for the handicapped, \$4,295, is well below that of residents in facilities for the aged (\$6,091). An average of 72 percent of residents have incomes under \$5,000, another 23 percent have incomes between \$5,000 and \$7,500, and 4 percent have incomes above \$7,500.

The low average income of residents in facilities for the handicapped as compared to residents in projects for the elderly is due to the fact that handicapped persons generally have limited earning capacity, while elderly persons frequently have the benefit of Social Security or supplemental security income as well as savings and assets acquired during their years in the labor force.

The average income ceiling limits for 202 facilities for the handicapped are \$11,318 for one person and \$14,181 for two persons. Rent contributions average \$2,313 per person annually or \$193 per month. Utility costs for those residents who do not have utility fees included in their rent average \$267 per person annually or \$13 per month.

Turnover rates

Based on respondents' administrative records for 1982, the typical project for the handicapped had an annual turnover rate of 16 percent of their units. Of those projects with annual waiting lists larger than the number of annual vacancies, only 36 percent of applicants per year can expect to get into the project to which they applied.

Waiting lists

The typical section 202 project for the handicapped has an average of 21 handicapped people and 1 elderly person on its waiting list. The average length of time spent on waiting lists is 10 months. This figure represents the length of time applicants have been on

current waiting lists as reported by project administrators in the sample, not the length of time current residents have waited before moving into the projects.

Services

The typical project for the handicapped offers an average of six services to residents either through onsite or community service delivery. The types of services most frequently offered are counseling, transportation, recreational trips, entertainment, transportation to religious services, and shopping. Fifty percent or more of projects for the handicapped offer these services (70, 68, 65, 55, 55, and 50 percent, respectively). Personal care is offered by 48 percent of projects. Housekeeping and arts and crafts are offered by close to 40 percent of projects (41 and 42 percent respectively). Onsite religious services are offered by 33 percent of projects. Delivered meals are used by projects infrequently, with only 8 percent of facilities using this service.

Meal programs

Fifty-eight percent of projects for the handicapped offer meal programs to residents while this figure is only 33 percent for projects for the elderly. Four out of five meal programs in facilities for the handicapped are mandatory. Sixty-five percent are mandatory full time and 15 percent are mandatory part time. Twenty percent are voluntary. Sixty-eight percent of projects have central dining facilities or kitchens at their facility.

APPENDIXES

Appendix 1

COMMITTEE ON AGING NATIONAL SURVEY TO SECTION 202 PROJECTS

JOHN HEINZ, PA., CHAIRMAN
PETE V. DOMESTICI, R. MICH.
CHARLES H. PERCY, R. ILL.
BARRY LARSON KASSISBAUM, R. MASS.
WILLIAM S. COHEN, MAINE
LARRY PRESSLER, S. ORE.
CHARLES E. GRASSLEY, IOWA
PETE WILSON, CALIF.
JOHN C. BUTNER, STAFF DIRECTOR AND CHIEF COUNSEL
DANIEL LIPSEY, MINORITY STAFF DIRECTOR
JOHN GLENN, OHIO
LAWTON CHILES, FLA.
JOHN WELCHER, MONT.
DAVID PRYOR, ARK.
BILL BRADLEY, N.J.
GUNTHER R. BURDICK, R. ORE.
CHRISTOPHER J. DODD, CONN.

United States Senate

SPECIAL COMMITTEE ON AGING
WASHINGTON, D.C. 20510

August 30, 1983

Dear Section 202 Sponsor/Administrator:

As Chairman of the U.S. Senate Special Committee on Aging, I would appreciate your taking a few minutes to fill out the enclosed survey. This questionnaire asks for your opinions and experiences regarding your Section 202 project. The information you provide will give Congress the best possible facts with which to review new elderly housing legislation. We are particularly interested in obtaining a "picture" of the elderly population in Section 202 projects, as well as those people on your waiting lists.

You will note that your questionnaire has a number stamped on it. This number is used strictly for mailing purposes. Individual responses will not be disclosed, but will be published as aggregate tabulations.

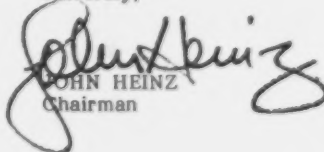
If you are manager or sponsor of more than one project, you should be receiving a survey for each project. Please fill out a questionnaire for each project separately.

It is essential that everyone receiving a questionnaire respond if we are to obtain a comprehensive picture of Section 202 projects.

Thank you for your assistance and cooperation in participating in this study.

If you have any questions please feel free to contact Betsy Vierck or Ann Gillespie, of the Aging Committee staff, at (202) 224-5364.

Sincerely,


JOHN HEINZ
Chairman

JH/bvt

Enclosure

August, 1983

Name of project: _____

Name of person completing this questionnaire: _____

Position of person completing this questionnaire: _____

(Sponsor, manager, etc.)

Address: _____

Phone: _____

I. QUESTIONS ABOUT YOUR PROJECT'S RESIDENTS

Please give the number of residents in your project that fall into each of the following categories:A) Number of people age:B) Total Number of: Males _____

(under) 62 _____

Females _____

62-65 _____

66-70 _____

71-75 _____

76-80 _____

81-85 _____

85+ _____

C) What is the average age of your tenant population? _____

D) What proportion of your residents would you consider to be totally independent? _____

E) What proportion of your residents would you consider to be frail? _____

II. QUESTIONS ABOUT YOUR PROJECT'S WAITING LIST

Please help us compile a picture of the current 202 waiting list across the country.

Please give the number of people currently on your project's waiting list for the following:

A) Total number of elderly: _____

Number of: Males _____

Females _____

B) Total number of handicapped age 62 and under: _____

Number of: Males _____

Females _____

C) Total number of handicapped over age 62 _____

Number of: Males _____

Females _____

D) Total number of people waiting for:

Single occupancy _____

Double occupancy _____

E) Please complete the following table based on your current waiting list.

Number of persons	Time
_____	1-3 months
_____	4-6 months
_____	7-9 months
_____	10-12 months
_____	13-15 months
_____	16-18 months
_____	19-21 months
_____	22-24 months
_____	25-27 months
_____	28-30 months
_____	31-33 months
_____	34-36 months
_____	3-4 years
_____	4-5 years
_____	5-6 years
_____	over 6 years (please specify) _____

F) How many units became available in your project in the last two years?

1981 _____ 1982 _____

G) In 1982, how many of these vacancies have been a result of:

1. Death _____
2. Resident transferring to a nursing home _____
3. Resident moving in with a relative _____
4. Resident moving to another housing project _____
5. Other (please specify) _____

III. QUESTIONS ABOUT THE INCOMES OF YOUR PROJECT'S RESIDENTS

A) Please give the number of residents in each category with the following gross incomes:

Under \$2,500 _____
 \$2,500 - \$5,000 _____
 \$5,000 - \$7,500 _____
 \$7,500 - \$10,000 _____
 \$10,000 - \$15,000 _____
 \$15,000 + _____

B) What is the average gross annual income for your current tenants?

_____ (This information can be obtained from question #28 on HUD form #50059.)

C) What are the income ceiling limits for your area for:

1 person _____

2 people _____

IV. QUESTIONS ABOUT YOUR BUILDING

A) Is your project located in an: (circle one)

Urban area Suburban area Rural area

B) How many units are in your building? _____

C) How many of these units are:

1. Single occupancy _____

2. Double occupancy _____

D) Of these units, how many are:

1. Efficiencies _____

2. 1 bedroom _____

3. 2 bedroom _____

E) What was the month/year of initial occupancy of your project? (for example, April 1978 = 4/78)

____/____

V. QUESTIONS ABOUT RENT CONTRIBUTIONS FROM THE RESIDENTS IN YOUR PROJECT

Please answer the following for your most recent annual accounting period

A) Do the tenants in your project:

_____ Pay their own utilities

_____ Have their utilities included as part of their rent share

B) What are the total annual rent contributions from all residents? (this is the total amount of rent contributions even if this amount includes separately paid utilities).

C) If any utilities are billed to the tenant, what is the total annual amount for all residents? _____

D) What are your total annual operating costs combined? (This includes everything paid for management fees, utilities, taxes, repairs, etc.)

E) What other types of income or subsidies do you receive? (i.e. interest on bank accounts, etc.)

VI. QUESTIONS ABOUT YOUR PROJECT'S MEAL PROGRAM

A) Does your project have central dining facilities: Yes No
(circle one)

B) Do you offer a meal program: Yes No
(circle one)

C) If yes, is this meal program: (Check one)

- _____ Voluntary
 _____ Mandatory in full
 _____ Mandatory in part

D) If you provide a mandatory meal program:

How many meals per week are required? _____

What is the average cost per month per resident? _____

What is the cost per month per sponsor? _____

How many tenants are currently exempted from the mandatory meal program?

E) If a meal plan is offered, please provide further details:

	Number of days per week	Avg. number of persons served per week	Average cost to residents per meal
Breakfast	_____	_____	_____
Lunch	_____	_____	_____
Dinner	_____	_____	_____

F) How are these meals financed?
 (Circle all that apply)

Please estimate % of
 contribution from each
 sponsor

1. Tenants only _____
2. Title III _____
3. Congregate Housing Services Program _____
4. Other (please specify) _____

VII. QUESTIONS ABOUT YOUR PROJECT'S SERVICES/ACTIVITIES

Please help us compile a picture of the services provided in 202 projects across the country. For each of the services or activities listed on the following pages, please indicate if the service/activity is provided; if so, how often, and the funding source. If you are the recipient of grant(s) covering many services, please indicate this in question "A" and then provide further breakdowns by target service(s) (such as housekeeping, personal care, etc.) in the questions that apply. If you do not receive multi-purpose funding for services/activities, leave question "A" blank. (For instance, if you receive a congregate housing services grant covering a number of services, fill in the total amount in question "A" and the proportion distributed to each service/activity in succeeding questions.)

A) List all the grants supporting more than one service/activity in the current fiscal year.

Funding source	_____	Amount	_____
Funding source	_____	Amount	_____
Funding source	_____	Amount	_____

B) Are the following services available to your residents?

1. Housekeeping?

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

2. Personal Care?

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

3. Counseling?

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

4. Delivered Meals?

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

5. Transportation?

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

6. Arts and Crafts?

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

7. Movies, Plays, Related Entertainment?

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

8. Organized Trips for Recreation?

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

9. Organized Shopping Trips

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

10. Religious Services?

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

11. Transportation to Religious Services

1) Yes No (circle one)

2) How often?

Times per month: 1-2

3-4

4 or more

As needed

3) Funding Sources

Amount Per Year
(in 100's)Name of Organization
(i.e., HUD, First
Methodist Church, etc.)

1. Resident contribution

NA

2. Sponsor

NA

3. Church Group or Synagogue

a. _____

b. _____

4. Private Foundations

a. _____

b. _____

5. Federal Government

a. _____

b. _____

6. State Government

a. _____

b. _____

7. Other

a. _____

b. _____

VII. QUESTIONS ABOUT YOUR PROJECT'S MANAGEMENT

A) How long has the current manager been administrator of this project?

1. Less than one year

2. 1-2 years

3. 2-3 years

4. 3-4 years

5. 4-5 years

6. 5 + years

B) Please specify type of sponsorship (circle one):

1. Religious

2. Fraternal

3. Union

4. Consumer Co-op

5. Community based

C) Is your project considered by HUD to be minority sponsored (circle one)

Yes No

Appendix 2

PART 885—LOANS FOR HOUSING FOR THE ELDERLY OR HANDICAPPED (PUBLISHED
IN THE FEDERAL REGISTER AT 43FR, PART VI, MARCH 10, 1978)

4571.1 REV-2

APPENDIX 1

**PART 885—LOANS FOR HOUSING
FOR THE ELDERLY OR HANDICAPPED**

Subpart A—General Policy

Sec.

- 885.1 Purpose and policy.
885.3 Definitions.

**Subpart B—Allocations of Loan Funds and
Processing Applications for Section 202 Fund
Reservations**

- 885.200 Allocation of loan fund authority.
885.201 Announcement of fund availability and invitations for applications for Section 202 fund reservations.
885.210 Contents of applications.
885.215 Limitation on number of units.
885.220 Review of application for fund reservation.
885.225 Approval of applications.
885.230 Duration of Section 202 fund reservations.

Subpart C—[Reserved]

Subpart D—Direct Loan Financing Procedures

- 885.400 Request for direct loan financing.
885.405 Approval for requests for financing.
885.410 Amount and terms of financing.
885.415 Requirements prior to initial loan closing.
885.420 Loan disbursement procedures.
885.425 Completion of construction or substantial rehabilitation, execution of HAP contract, and cost certification and approvals by HUD.

AUTHORITY: Sec. 7(d), Department of HUD Act (42 U.S.C. 3535(d)), unless otherwise noted.

SOURCE: 43 FR 8493, Mar. 1, 1978, unless otherwise noted.

Subpart A—General Policy

§ 885.1 Purpose and policy.

(a) **Purpose.** The purpose of the program described in this part is to provide direct Federal loans under Section 202 of the Housing Act of 1959, as amended, 12 U.S.C. 1701q, for housing projects to serve elderly and handicapped families and individuals. The housing projects shall provide the necessary services for the occupants, which may include, among others, health, continuing education, welfare, informational, recreational, home-maker, counseling, and referral services, as well as transportation where necessary to facilitate access to these services. The management plans shall address management and maintenance responsibilities of the Borrower as well as the delivery of necessary services for the occupants.

(b) **General Policy.** A loan made pursuant to this part shall be used to finance the construction or substantial rehabilitation of residential projects for the elderly or the handicapped. Consistent with Congressional directives stated in the Housing and Community Development Act of 1977, these regulations have been developed to consolidate the application requirements of both Section 202 and Section 8. Therefore, projects which meet the requirements of the Section 202 program shall be deemed to have met the requirements for housing assistance payments under the Section 8 Housing Assistance Payments Program as provided in the U.S. Housing Act of 1937, as amended.

§ 885.3 Definitions.

As used in this part—

Act means Section 202 of the Housing Act of 1959, as amended 12 U.S.C. 1701q.

Affiliated Entities means entities that the field office determines to be related to each other in such a manner that it is appropriate to treat them as a single entity. Such relationship shall include any identity of interest among such entities or their principals and the use by any otherwise unaffiliated entities of a single Borrower or of Borrowers that have any identity of interest themselves or their principals.

Application means the application for a Section 202 Fund Reservation, including all required forms and exhibits submitted in response to an invitation for such applications.

Assistant Secretary means the Assistant Secretary for Housing—Federal Housing Commissioner.

Borrower means a private nonprofit corporation or a nonprofit consumer cooperative which may be established by the Sponsor, which will obtain a Section 202 loan and execute a mortgage in connection therewith as the legal owner of the project. "Borrower" does not mean a public body or the instrumentality of any public body. The purposes of the Borrower must include the promotion of the welfare of elderly and/or handicapped families. No part of the net earnings of the Borrower may inure to the benefit of any private shareholder, contributor or individual and the Borrower may not be controlled by or under the direction of persons or firms seeking to derive profit or gain therefrom.

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Construction means the erection or substantial rehabilitation of structures for Housing and Related Facilities.

Development Cost means the cost of construction or substantial rehabilitation of Housing and Related Facilities, and of the land on which they are located, including necessary site improvements and such other expenses as may be determined by the Assistant Secretary to be properly attributable to the capital cost of the construction or substantial rehabilitation or development of the Housing and Related Facilities.

Elderly or Handicapped Families means:

(a) Families of two or more persons the head of which (or his or her spouse) is sixty-two years of age or over or is handicapped, or

(b) The surviving member or members of any family described in (a) living in a unit assisted under the Section 202 program with the deceased member of the family at the time of his or her death, or

(c) A single person who is sixty-two years of age or over, or a non-elderly handicapped person between the ages of 18 and 62, or

(d) Two or more elderly or handicapped persons living together or one or more such persons living with another person who is determined by HUD, based upon a licensed physician's certification provided by the tenant family or prospective tenant family, to be essential to their care or well being.

Field Office means any HUD Area, Insuring or Regional Office which is delegated authority to process applications under the Section 202 and Section 8 programs.

Handicapped Person means any adult having an impairment which is expected to be of long-continued and indefinite duration, is a substantial impediment to his or her ability to live independently, and is of a nature that such ability could be improved by more suitable housing conditions. A person shall also be considered handicapped if he or she is developmentally disabled, i.e., if he or she has a disability attributable to mental retardation, cerebral palsy, epilepsy, or another neurological condition found by the Secretary of Health, Education, and Welfare to be closely related to mental retardation or to require treatment similar to that required for mentally

retarded individuals, which disability originates before such individual attains age eighteen, which has continued or can be expected to continue indefinitely, and which constitutes a substantial handicap to such individual.

Housing and Related Facilities means rental or cooperative housing structures constructed or substantially rehabilitated as permanent residences for use by elderly or handicapped families, and includes structures suitable for use by families residing in the project or in the area as cafeterias or dining halls, community rooms or buildings, and workshops or other essential service facilities. "Housing and Related Facilities" does not include nursing homes, hospitals or intermediate and transitional care facilities.

Region means any one of the ten HUD Regions.

Section 8 Program means the Housing Assistance Payments Program—New Construction or Substantial Rehabilitation as defined in Parts 880 and 881 of this chapter, which implements Section 8 of the United States Housing Act of 1937, as amended.

Seed Money Expenses mean those expenses which are necessary to cover the costs of planning and obtaining financing for a Section 202 project and which will be incurred prior to the initial closing of the construction loan for the project.

Sponsor means any private nonprofit entity, no part of the net earnings of which inures to the benefit of any private shareholder, contributor or individual, which entity is not controlled by, or under the direction of persons or firms seeking to derive profit or gain therefrom, and which is approved by the Field Office Director as to administrative and financial capacity and responsibility. "Sponsor" does not mean a public body or the instrumentality of a public body.

Substantial Rehabilitation means the improvement of the condition of a property from deteriorated and substandard to good condition. Substandard or deteriorated properties are those which do not provide safe and adequate shelter, and in their present condition endanger the health, safety or well-being of the occupants. "Substantial Rehabilitation" also includes renovation, alteration or remodeling for the conversion or adaptation of property to the design and condition required for use under this part.

Subject B—Allocation of Loan Funds and Processing Applications for Section 202 Fund Reservations

§ 585.206 Allocation of loan fund authority.

(a) Section 202 loan fund authority will be allocated by the Assistant Secretary to HUD field offices in accordance with the requirements of Section 313(d) of the Housing and Community Development Act of 1974 as set forth in 24 CFR §§1.402 and §§1.403.

(b) Field Office Directors will determine the amount of Section 202 loan fund authority to be allocated to each allocation area in accordance with 24 CFR §§1.404. In determining the number of units for housing for the elderly and/or handicapped to be allocated to a specific allocation area, the Field Office Director must consider the three-year goals set forth in Housing Assistance Plans and the proportionality requirements with respect to housing type and household type with the objective of achieving the proportionality by household type established in the first three-year goal by the end of Fiscal Year 1979. Where loan fund authority allocated to an allocation area would not be adequate for a feasible project the Field Office Director may either: (1) Combine allocation areas, or (2) distribute sufficient loan fund authority for a feasible project and withhold future allocations until such advance is compensated.

(c) Field Office Directors will set aside sufficient contract authority for the Section 8 Housing Assistance Payments Program for use in connection with projects to be financed under Section 202.

§ 585.205 Announcement of fund availability and invitations for applications for Section 202 fund reservations.

(a) Promptly upon determining the amount of loan fund authority to be allocated to each field office, the Assistant Secretary shall publish an Announcement of Fund Availability in the *FEDERAL REGISTER* indicating:

(1) The amount of lending authority (and approximate number of units) being made available to each field office;

(2) The date by which the field offices will publish Invitations for Applications for Section 202 Fund Reservations;

(3) The earliest date applications will be accepted for processing and the closing date; and

(4) Other appropriate guidance to prospective borrowers.

(b) Each field office shall publish a single invitation in newspapers of general circulation serving the allocation areas in which the housing is desired at least once a week for two consecutive weeks. The field office shall also notify minority media, minority organizations involved in housing and community development, and groups with special interest in housing for the elderly and/or handicapped. Copies of the invitation shall be available in the field office.

(c) The invitation shall state:

(1) The designated allocation areas where loan fund authority is being made available, the amount of such authority and the approximate number of units this amount is expected to assist.

(2) That applications from the designated allocation areas will be evaluated first, and that only in the event that an insufficient number of approvable applications are received from the designated allocation areas will applications from other areas be considered for approval.

(3) That, notwithstanding paragraph (c)(2) of this section, applications for housing designed wholly for the nonelderly disabled or handicapped from any allocation area will be accepted and evaluated.

(4) That copies of the applicable regulations, instructions, forms and other program information may be obtained at the field office.

(5) The date, time, and place applications will be accepted.

(6) The deadline date for receipt of applications.

§ 585.310 Contents of applications.

Each application shall include all of the information, materials, forms, and exhibits enumerated below, on the basis of which the field office will determine the Borrower's eligibility for a reservation of Section 202 loan funds and for participation in the Section 8 housing assistance payments program. The same information requested of the Borrower in paragraphs (a) (1) through (22) of this section, must be provided for each Sponsor identified in the application.

(a) (1) The name, address, and telephone number of the Borrower and also of the Sponsor (if any).

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APPENDIX 1

(2) The name, title, address, and telephone number of the officer or member of the Board of Directors of the Borrower to whom communications should be addressed.

(3) The following specific information regarding the application:

(i) Number of Section 302 units requested.

(ii) Number of units for which Section 8 Assistance is requested. Section 8 Housing Assistance Payments are required for a minimum of 30 percent of the Section 302 units in any project. Applications contemplating use of Section 8 contract authority in less than 100 percent of the rental dwelling units must demonstrate that sufficient market demand is anticipated for the unsubsidized units to assure the feasibility of the project.

(iii) Dollar amount of Section 302 direct loan requested.

(4) A narrative description of the proposed housing, including: (i) Number and types of structures; (ii) number of stories; (iii) number of units by size (number of bedrooms); (iv) special amenities or features.

(5) A narrative description of the anticipated occupancy (elderly and/or handicapped [physically handicapped or developmentally disabled, i.e., mentally retarded, cerebral palsy, or epilepsy]).

(6) A statement as to whether the Borrower (and/or Sponsor) has submitted or is planning to submit an application to any other field office in response to the current invitation. If so, indicate the city and state where the proposed project is to be located, the number of units requested, and the field office to which the proposal was or will be submitted.

(7) A signed certification of the Borrower's intention to comply with Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, Executive Order 11063, Executive Order 11246, and Section 3 of the Housing and Urban Development Act of 1968.

(8) A Housing Consultant's Certificate and Contract (if consultant services have been employed by the Borrower).

(9) Evidence of the Borrower's legal status as a nonprofit corporation.

(10) A Request for Preliminary Determination of Eligibility as a Non-profit Sponsor and/or Mortgagee on a form prescribed by HUD.

(11) A statement evidencing the Borrower's ties to the community and support from local community groups.

(12) The names and addresses of the officers and directors of the Borrower, and such other information as shall be required on the prescribed form, together with a certification by each officer or director that he or she will not receive any compensation from the Borrower for his or her services, and does not have any financial interest in any contract with the Borrower, or in any firm or corporation which has a contract with the Borrower.

(13) Satisfactory evidence that the Borrower has the necessary legal authority to finance, construct or substantially rehabilitate and maintain the project and to apply for and receive the proposed loan, that it meets any requirements as to corporate organization, and that it has authority to enter into such contract obligation and execute such security instruments as may be required by HUD.

(14) Evidence of previous participation in HUD programs, if any, by the Borrower, its officers or directors, on such forms as may be prescribed by HUD.

(15) A description of all rental housing projects and/or medical facilities owned and operated by the Borrower.

(16) A description of any financial default, modification of terms and conditions of financing, or legal action taken or pending against the Borrower or its officers, directors, or trustees in their corporate capacity.

(17) A description of the Borrower's past or current involvement in any programs or of its provision of services, other than housing, if any, which would give evidence of the organization's management capabilities.

(18) A statement as to whether the Borrower has received a Section 302 fund reservation since May 1, 1978.

(19) A description of the Borrower's capability to sponsor, develop, own, manage, and provide appropriate services in connection with housing for the elderly or handicapped.

(20) An estimate of start-up expenses and the source of funds to meet these expenses. If the Borrower plans to use Section 104(b) seed money loans, an application for such loan must be submitted with required attachments.

(21) Copies of balance sheet(s) and statement(s) of income and expenses for each of the past three years the Borrower has operated.

(22) In the case of project proposals to be developed exclusively or primarily for the nonelderly handicapped, identification of the locality in which the Borrower proposes to develop the project.

(23) In the case of project proposals to be developed for the elderly, the following specific information with respect to the proposed project:

(i) Documentary evidence that the Borrower has control of the site, e.g., a copy of a contract(s) of sale for the site or a copy of the site option agreement(s), a deed, or other legal commitment for the site.

(ii) A map showing the location of the site and the racial composition of the neighborhood, with the area of racial concentration delineated.

(iii) A sketch of the site plan showing the general development of the site including the location of the proposed building(s), streets, parking areas and drives, service areas, and unusual site features.

(iv) Evidence that the proposed construction or rehabilitation is permissible under applicable zoning ordinances or regulations, or a statement of the proposed action to make the construction or rehabilitation permissible and the basis for belief that such action will be completed successfully prior to the receipt of the conditional commitment for direct loan financing (e.g., a summary of the results of any recent requests for rezoning on land in similar zoning classifications and the time required for such rezoning, preliminary indications of acceptability from zoning bodies, etc.).

(v) A statement as to whether proposed project will displace site occupants. If so, the proposal shall state the number of families, individuals, and business concerns to be displaced (identified by race or minority group status and whether they are owners or renters), and shall demonstrate that relocation is feasible and how necessary relocation payments, if any, will be funded.

(vi) A showing that the proposal meets any special requirements or restrictions necessary for compliance with the local HAP.

(vii) A statement that gross rents (the sum of contract rents and allowances, if any) will not exceed published Fair Market Rents by more than that allowed by the Fair Market Rent Limits pursuant to § 880.108(a) or § 881.108(a) of the Regulations.

(24) A demonstration that the application meets any other requirements as may be imposed by or upon the Department and which requirements are made known to the applicant prior to submission of the application.

§ 885.215 Limitation on numbers of units.

No organization shall participate as Sponsor, Co-sponsor, or Borrower in the filing of an application or applications for a reservation of Section 302 loan funds in a single Region in a single fiscal year in excess of that necessary to finance the construction or substantial rehabilitation of 300 units of housing and related facilities.

(a) This limitation shall apply to organizations that participate as Co-sponsors regardless of whether the Co-sponsors are affiliated or non-affiliated entities.

(b) Affiliated entities which submit separate applications shall be deemed to be a single entity for purposes of this 300 unit limitation.

§ 885.220 Review of application for fund reservation.

(a) *Initial Screening.* To be eligible for selection, an Application must be received by the field office within the time period specified in the Invitation and must be complete. In order to determine whether an Application is complete and acceptable for technical processing, the field office shall perform an initial screening upon receipt of the Application.

(b) *Action on Applications Found To Be Incomplete.* If an Application is determined to be incomplete, the Borrower shall be advised in writing of the deficiencies and that additions or changes will be accepted if they are received on or before a specified date (generally 10 calendar days from the date of the request for additional information).

(c) *Preliminary Evaluation.* Applications found to be complete shall be eligible for a preliminary evaluation to determine whether the entity filing the Application is, in fact, an eligible nonprofit corporation, and whether the Application is responsive to the Invitation.

(d) *Technical Processing.* When an Application is determined to be complete and responsive to the Invitation, technical processing, consisting of the following, shall be accomplished:

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(1) For each Application which is determined to be subject to A-95 clearance, the field office shall send a copy to the appropriate A-95 Clearinghouse for review, inviting a response within 30 calendar days from the date of transmittal, unless the Borrower has provided appropriate site and preliminary project information to the clearinghouse prior to submitting its application to HUD, in which case the application shall include the comments, if any, of the clearinghouse.

(2) For purposes of compliance with Section 313 of the HCD Act of 1974, the field office shall forward (if not previously submitted by the Borrower) a notification, in the form prescribed by HUD, to the Chief Executive Officer (or such designee as that Officer may designate) of the unit of general local government in which the proposed housing is to be located and shall invite a response within 30 calendar days from the date of the notification letter.

(3) The Application will be evaluated by the field office on the basis of those factors which may be necessary to determine the eligibility and acceptability of the Sponsor and Borrower, acceptability of the location (site), acceptability of the design concept, compliance with the Fair Market Rent Limits, and the comments, if any, received during the response periods from the appropriate A-95 Clearinghouse and from the unit of general local government.

(4) If, in its evaluation of all pertinent factors, the field office finds deficiencies which, in its judgment, are correctable within a reasonable time, it may grant such additional time as it deems appropriate to enable the Borrower to correct such deficiencies. Otherwise the Borrower shall be sent a notification specifying the deficiencies and stating that the Application has been rejected.

(5) Prior to selection, the field office shall complete an environmental review in compliance with the requirements of HUD procedures pursuant to the National Environmental Policy Act of 1969. Prior to selection, the field office shall determine whether the proposed site is in compliance with Executive Order 11888, Floodplain Management, and Executive Order 11990, Wetlands Protection.

(6) Based on the factors set forth in this paragraph (d), the field office shall determine for each allocation

area the Applications which, in its judgment, are approvable. Selections then shall be made in accordance with paragraph (e) of this section.

(e) For each allocation area, the field office shall rank in order each Application on the basis of its assessment of the Borrower's qualifications, the proposed site, the design concept, and the comments, if any, received from the appropriate A-95 Clearinghouse and from the unit of general local government. The field office shall identify for selection the highest ranking Applications in descending order which most reasonably approximate the estimated maximum number of units which can be funded in any allocation area under the allocation of fund authority; provided, however, that in accordance with 24 CFR 891.404(d) priority will be given to acceptable Applications from localities which did not previously receive assistance.

(f) The ranking list developed pursuant to paragraph (e) of this section may be modified by the Field Office Director under the following circumstances:

(1) If selection solely on the basis of the ranking would result in a violation of site and neighborhood standards; or

(2) Where necessary to provide an appropriate distribution by dollars and units for projects for the non-elderly handicapped.

§ 585.225 Approval of applications.

(a) A Borrower whose Application is approved shall be issued a notice of Section 202 Fund Reservation in a format prescribed by the Assistant Secretary, specifying:

(1) The amount of the Section 202 Fund Reservation, the number and mix of units, and the location (or locality, in the case of projects to serve the non-elderly handicapped) of the proposed project.

(2) The amount of Section 8 contract authority reserved to the project.

(3) A date by which the Borrower is required to return a copy of the notification with an indication of its acceptance.

(b) If the Borrower does not accept the notification by the date specified, the field office may notify the Borrower that its previous approval of the Borrower's Application is withdrawn;

(c) No part of the loan funds reserved may be transferred by the Borrower;

1. A Section 302 Fund Reservation may be used only in connection with the project which has been approved in connection with the Application and may not be transferred to a Section 8 project which is proposed in response to an invitation pursuant to § 880.303 or § 881.303 of this chapter;

(e) Subject to the availability of funds, and in accordance with directives of the Assistant Secretary, the Field Office Director may amend the amount of a fund reservation approved pursuant to paragraph (b) of this section at any time before the final closing of a loan.

§ 885.136 Duration of Section 302 fund reservations.

The Field Office Director, subject to the approval of the Assistant Secretary, may cancel a fund reservation at any time if it can be established that the Borrower is not making satisfactory progress toward the start of construction, and shall cancel any reservations of Section 302 loan funds for projects for which the construction or substantial rehabilitation is not commenced within the eighteen-month period following issuance of the Notice of Section 302 Fund Reservation, unless an extension of time, not to exceed six months, is requested of and granted by the Field Office Director.

Subpart C—[Reserved]

Subpart D—Direct Loan Financing Procedures

§ 885.400 Request for direct loan financing.

Simultaneously with the notice of Section 302 Fund Reservation, the field office will invite the Borrower to submit a request for a conditional or firm commitment for direct loan financing. The Request for Direct Loan Financing shall be on forms prescribed by HUD, shall include all such exhibits as HUD may require, and must be submitted, within the time limit specified in the notice of Section 302 Fund Reservation, to the field office serving the area in which the proposed project will be located.

(a) Processing of a request for a conditional commitment for direct loan financing shall include an evaluation of the Contract Rents, the Borrower's Affirmative Marketing Plan and the financial feasibility of the project. Contract Rents shall be established by the field office within the applicable Fair Market Rent Limits, and shall be no higher than the rents determined by HUD to be necessary to cover operating costs, debt service on the Section 302 loan, and reasonable reserves. In the case of projects requesting Section 8 Contract Authority for less than all of the rental dwelling units, the Contract Rents must be within such levels that sufficient market demand can be anticipated for the unsubsidized rental dwelling units to assure the feasibility of the project.

(b) Processing of a request for a firm commitment shall include review of the final plans and specifications, review of the Contractor/Borrower's cost estimate, and a review of the conclusions reached during conditional commitment processing. In the case of Borrowers permitted by the Field Office Director to submit requests for firm commitment without going through conditional commitment processing the field office shall perform the steps set forth in paragraph (a) above when carrying out firm commitment processing.

(c) Any Contract Rents which are or have been proposed by a Borrower may be modified by the field office at any time prior to the execution of the Agreement to Enter into a Housing Assistance Payments Contract.

§ 885.405 Approval of requests for direct loan financing.

The field office shall review the Request for Direct Loan Financing and the required exhibits and shall notify the Borrower of its approval by issuance of a conditional or firm commitment, as appropriate, or of its disapproval of the Request.

(a) A conditional commitment shall be issued in a format prescribed by the Assistant Secretary and shall include the following:

(1) The estimated cost of the project.

(2) The "as-is" value of the site and the land value fully improved (with offsite improvements installed).

(3) The detailed estimates of operating expenses and taxes.

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- (4) The supportable cost.
- (5) The financial requirements.
- (6) The loan amount.

(7) The approved contract rents. If the approved rents are lower than those proposed by the Borrower, the commitment shall state the reason(s) for the reduction(s). The conditional commitment also shall specify the time period within which the Borrower must submit a request for a firm commitment for direct loan financing.

(b) A firm commitment shall be issued in a format prescribed by the Assistant Secretary and shall include the following:

- (1) Approval of the final plans and specifications;

(2) A statement that the Contractor/Borrower's cost estimates have been reviewed;

(3) Reaffirmation of the conclusions reached during conditional commitment processing or a statement as to what changes to earlier conclusions have been approved.

If the Borrower was permitted to apply for a firm commitment without passing through conditional commitment processing, the items listed in paragraph (a) of this section shall be included in the issuance of the firm commitment for direct loan financing. Issuance of a firm commitment evidences the Assistant Secretary's approval of the request for direct loan financing, and sets forth the terms and conditions upon which the loan shall be made and the loan proceeds disbursed.

(c) If a request for conditional or firm commitment for direct loan financing is not forthcoming within the time periods specified in the Notice of Section 202 Fund Reservation or the Conditional Commitment, as appropriate, the Field Office Director may cancel the fund reservation, consistent with the limitations specified in § 885.530.

§ 885.419 Amount and terms of financing.

(a) The amount of financing approved shall be the amount stated in the Notice of Section 202 Fund Reservation, including any increase approved by the field office prior to the final closing of a loan; provided, however, that the amount of financing provided shall not exceed the lesser of:

- (1) The dollar amounts stated in subparagraphs (b) through (f) of this section, or

(2) The total development cost of the project as determined by the field office.

(b) For such part of the property or project attributable to dwelling use (excluding exterior land improvement as defined by the Assistant Secretary) the maximum loan amount, depending on the number of bedrooms shall be:

- (1) \$22,900 per family unit without a bedroom,

(2) \$26,550 per family unit with one bedroom,

(3) \$31,500 per family unit with two bedrooms,

(4) \$37,100 per family unit with three bedrooms, restricted to non-elderly handicapped families,

(5) \$42,000 per family unit with four or more bedrooms, restricted to non-elderly handicapped families.

(c) In order to compensate for the higher costs incident to construction of elevator type structures of sound standards of construction and design, the field office may increase the dollar limitations per family unit as provided in paragraph (b) of this section, not to exceed:

- (1) \$26,490 per family unit without a bedroom,

(2) \$30,550 per family unit with one bedroom,

(3) \$36,300 per family unit with two bedrooms,

(4) \$42,750 per family unit with three bedrooms, restricted to non-elderly handicapped families,

(5) \$48,700 per family unit with four or more bedrooms, restricted to non-elderly handicapped families.

(d) Reduced loan amount—leaseholds. In the event the loan is secured by a leasehold estate rather than a fee simple estate, the allowable cost of the property upon which the loan amount is based shall be reduced by the value of the leased fee.

(e) Adjusted loan amount—rehabilitation projects. A loan amount which involves a project to be rehabilitated shall be subject to the following additional limitations:

- (1) Property held in fee. If the Borrower is the fee simple owner of the project not encumbered by a mortgage, the maximum loan amount shall not exceed 100 percent of the cost of the proposed rehabilitation.

(2) Property subject to existing mortgage. If the Borrower owns the project subject to an outstanding indebtedness, which is to be refinanced

with part of the Section 202 loan, the maximum loan amount shall not exceed the cost of rehabilitation plus such portion of the outstanding indebtedness as does not exceed the fair market value of such land and improvements prior to the rehabilitation, as determined by the field office.

(3) Property to be acquired. If the project is to be acquired by the Borrower and the purchase price is to be financed with a part of the Section 202 loan, the maximum loan amount shall not exceed the cost of the rehabilitation plus such portion of the purchase price as does not exceed the fair market value of such land and improvements prior to the rehabilitation, as determined by the field office.

(f) Increased Mortgage Limits—High Cost Areas.

(1) In any geographical area where the Assistant Secretary finds cost levels so require, the Assistant Secretary may increase, but not to exceed 75 percent, the dollar amount limitations set forth in § 835.415 (b) and (c).

(2) If the Assistant Secretary finds that because of high costs in Alaska, Guam, or Hawaii it is not feasible to construct dwellings without the sacrifice of sound standards of construction, design, and livability within the limitations of maximum loan amounts provided in this section the principal amount of mortgages may be increased by such amounts as may be necessary to compensate for such costs, but not to exceed in any event the maximum, including high cost area increases, if any, otherwise applicable by more than one-half thereof.

(g) The loan shall bear interest at a rate established by the Secretary by adding:

(1) A rate determined by the Secretary of the Treasury to be the average interest rate on all interest bearing obligations to the United States then forming a part of the public debt computed at the end of the fiscal year immediately prior to the date on which the loan is made; plus (2) and allowance to cover administrative costs and probable losses under the program, which allowance has been determined by the Secretary of HUD to be one percent (1%) per annum during the construction period, and one half of one percent (0.5%) thereafter.

(h) Loans shall bear interest at the rate in effect at the time the loan is made. A loan shall be deemed to be made as of the date of the initial loan

closing pursuant to § 835.415. If a loan is made in a fiscal year other than that fiscal year in which the Request is processed, and the interest rate for the year in which the loan is made is different from the rate used for processing, the field office shall reprocess the Request based on the new rate.

(i) The loan shall be secured by a first mortgage on real estate in fee simple or long term leasehold; the mortgage shall be repayable during a term not to exceed 40 years and shall be subject to such terms and conditions as shall be determined by the Assistant Secretary.

(j) In order to assure HUD of the Borrower's continued commitment to the development, management, and operation of the project, a minimum capital investment is required of Section 202 Borrowers of one-half of one percent (0.5%) of the mortgage amount committed to be disbursed, not to exceed the amount of \$16,000. Section 106(b) loans made pursuant to Section 106 of the Housing Act of 1968 may not be utilized to meet the minimum capital investment requirement. Such minimum capital investment shall be placed in escrow at the initial closing of the Section 202 loan and shall be held by HUD or other escrow agent acceptable to the field office for not less than a three-year period from the date of initial occupancy and may be used for operating expenses or deficits as may be directed by the field office. Any unexpended balance remaining in the minimum capital investment account at the end of the escrow period shall be returned to the Borrower.

(Sec. 202, Housing Act of 1969 (42 U.S.C. 1701q); sec. 7(d), Department of Housing and Urban Development Act (42 U.S.C. 2215(d)))

(43 FR 5493, Mar. 1, 1978, as amended at 43 FR 27439, Nov. 2, 1977; 43 FR 14039, Mar. 4, 1980; 43 FR 51187, Aug. 11, 1980)

§ 835.415 Requirements prior to initial loan closing.

Prior to the initial loan closing, the Borrower shall furnish such executed documents on HUD-approved forms as the field office may require including the following:

(a) Agreement to Enter into Housing Assistance Payments Contract;

(b) Certificate of Incorporation of the Borrower as required by applicable state or local law;

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- (c) Internal Revenue Service Section 501(c) (3) or (4) tax exemption ruling;
 - (d) Certificate of Relationships and Nonprofit Motives of the Borrower;
 - (e) Mortgagee's Attorney's Opinion as to the legal status of the Borrower, building permit, and compliance with zoning laws and requirements;
 - (f) Regulatory Agreement for Non-profit Section 302/Section 8 Mortgage;
 - (g) Mortgagor's Oath that the Project will not be used for hotel or transient purposes;
 - (h) Agreement and Certification to certify actual costs and as to any financial and family relationships between the Borrower, the architect, general contractor and subcontractors;
 - (i) Assurance of Compliance with HUD Regulations under Title VI of the Civil Rights Act of 1964;
 - (j) Note and First Mortgage or Deed of Trust executed in accordance with § 885.405 (h);
 - (k) A title policy insuring that the mortgage constitutes a first lien on the project;
 - (l) Building Loan Agreement setting forth the conditions for loan disbursement;
 - (m) Construction or Substantial Rehabilitation Contract between the Borrower and the General Contractor which shall be a cost plus contract with an upset price and may provide for an incentive payment to the Contractor for early completion;
 - (n) Assurance of Completion of Construction or Substantial Rehabilitation Contract in the form of 80 percent Performance and Payment Bond or a cash escrow in the amount of 25 percent of total construction cost;
 - (o) Escrow Agreement in the amount of the cost of any off-site facilities, funded by a cash deposit or letter of credit to assure completion of the facilities;
 - (p) A Contractor's and Sub-Contractor's Certification Concerning Labor Standards and Prevailing Wage Requirements.
- § 885.430 Loan disbursement procedure.
- (a) Disbursements of loan proceeds shall be made directly by HUD to or for the account of the Borrower and may be made through an approved lender, mortgage servicer, title insurance company, or other agent satisfactory to the Borrower and HUD.

(b) All disbursements to the Borrower shall be made on a periodic basis in an amount not to exceed the HUD-approved cost of portions of construction or substantial rehabilitation work completed and in place (except as modified in paragraph (d) of this section, minus the appropriate holdback, as determined by the field office.

(c) Regulations for loan disbursements shall be submitted by the Borrower on forms to be prescribed by the Assistant Secretary and shall be accompanied by such additional information as the field office may require in order to approve loan disbursements under this part, including but not limited to evidence of compliance with the Davis-Bacon Act, Department of Labor regulations, all applicable zoning, buildings and other governmental requirements, and such evidence of continued priority of the mortgage of the Borrower as the Assistant Secretary may prescribe.

(d) In loan disbursements for building components stored off-site, the term building component shall mean any manufactured or pre-assembled part of a structure as defined by HUD and which the Assistant Secretary has designated for off-site storage because it is of such size or weight that storage of the components required for timely construction progress at the construction site is impractical, or weather damage or other adverse conditions prevailing at the construction site would make storage at the site impractical or unduly costly. Each building component must be specifically identified for incorporation into the property as provided under paragraph (d)(1)(ii) of this section.

(1) Storage. (i) A loan disbursement may be made for up to 90 percent of the aggregate cost of a building component stored off-site if the component is stored at a location approved by HUD which is either under the control of a bonded warehouseman at the factory production site, or under the control of a bonded warehouseman at some site other than the factory production site. Aggregate cost may include storage cost, insurance while in storage and freight from the storage site to the construction site. A bonded warehouseman is a person engaged in the business of storing goods on premises provided by him or some other person. In either situation, the bonded

warehouseman, before any building components can be delivered to the warehouse, must provide a bond to the Borrower and HUD covering them against loss occurring while the building components are under the control of the warehouseman.

(1) Each building component shall be adequately marked so as to be readily identifiable in the inventory of the off-site location. It shall be kept together with all other building components of the same manufacturer intended for use in the same project for which loan disbursements have been made and separate and apart from similar units not for use in the project.

(III) Storage costs, if any, shall be borne the general contractor.

(2) *Responsibility for transportation and insurance of off-site building components.* (i) The general contractor and the manufacturer of the building components will enter into an agreement which shall provide that the manufacturer shall be responsible for the delivery of the components to the predetermined storage site in accord with an approved delivery schedule and shall agree to: (A) Prepay freight charges from the production site to the storage site; (B) insure the components during shipping to the storage site; (C) deliver the components to the carrier properly packed for shipment; and (D) prepare and deliver itemized invoices, shipping documents, warehouse receipts and bills of sale for the components to the Borrower.

(ii) The general contractor of the project shall have the responsibility for (A) insuring the components in the name of the Borrower while in storage; (B) delivering, or contracting for the delivery of the components from the storage site to the construction site, including payment of freight; and (C) insuring the components in the name of the Borrower during shipment from the storage site to the construction site.

(3) *Loan disbursements.* (i) Before a loan disbursement for a building component stored off-site is made, the Borrower shall (A) obtain a bill of sale for the component, (B) provide HUD with a security agreement pledged by a first lien on the building components with the exception of such other liens or encumbrances as may be approved by HUD, and (C) file a financing statement in accordance with the Uniform Commercial Code.

(ii) Before each loan disbursement for building components stored off-site is made the manufacturer and the general contractor shall certify to HUD that the components, in their intended use, comply with HUD-approved contract plan and specifications.

(iii) Loan disbursements may be made only for components stored off-site in a quantity required to permit uninterrupted installation at the site, but in no event may loan disbursements be made for components which are put into storage more than six months in advance of the time they are scheduled for incorporation into the project structure.

(iv) At no time shall the aggregate cost of building components being stored off-site, for which loan disbursements have been made, represent more than 25 percent of the total estimated construction costs for the project as specified in the construction contract.

(v) No single loan disbursement which is to be made shall be in an amount less than ten thousand (\$10,000) dollars.

(vi) Loan disbursements for components stored off-site may be authorized only when the total cost of development, including use of the off-site storage procedure and costs appurtenant to that procedure, do not exceed total development cost under conventional construction procedures as determined by HUD.

[43 FR 8493, Mar. 1, 1978, as amended at 45 FR 31990, May 15, 1980]

§ 885.425 Completion of construction or substantial rehabilitation, execution of HAP contract, and cost certification and approvals by HUD.

(a) The requirements for completion of construction or substantial rehabilitation and approvals by HUD shall be satisfied by the Borrower prior to submission of a final requisition for disbursement of loan proceeds.

(b) Upon issuance of a Certificate of Occupancy the HAP Contract shall be executed first by the Borrower and then by HUD, however, payments under the HAP Contract shall only be made with respect to occupied units, and further, the Borrower shall not be entitled to receive vacancy payments for unoccupied units until and unless the project is finally accepted by HUD. If the Project is to be completed in stages, the procedures of this section shall apply to each stage.

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(c) The Borrower shall submit to the field office all documentation required for final disbursement of the loan including:

(1) A Borrower's/Mortgagor's Certificate of Actual Cost, showing the actual cost to the mortgagor of the cost plus construction contract, architectural, legal, organizational, offsite costs, and all other items of eligible expense. The certificate shall not include as actual cost any kickbacks, rebates, trade discounts, or other similar payments to the mortgagor or to any of its officers, directors, or members.

(2) A verification of the Certificate of Actual Cost by an Independent Certified Public Accountant or independent public accountant acceptable to the field office.

(3) A certification of the general contractor (and such subcontractor, material suppliers, and equipment lessors, as the Assistant Secretary or field office may require), on a form prescribed by the Assistant Secretary, as to all actual costs paid for labor, materials, and subcontract work under the general contract exclusive of the builder's fee and kickbacks, rebates, trade discounts, or other similar payments to the general contractor, the mortgagor, or any of its officers, directors, stockholders, partners, or members.

Appendix 3

GLOSSARY

TERM

DEFINITION

Congregate Housing

A housing environment which provides necessary support services, including the provision of meals in a central dining facility.

Contract Rent

The maximum rent per unit payable to the owner under the Section 3 Housing Assistance Payments Contract, as determined by Hud, including the portion of the rent payable by the family. Section 8 subsidy covers the difference between the contract rent and the tenant rent share. (In the case of a cooperative, the term means charges under the occupancy agreements between the members and the cooperative.) Contract rents are within the fair market rents and are no higher than is required to cover operating costs, including debt service and reasonable services.

Elderly

A person 62 years of age or older.

Elderly Family

Two or more persons living together

where the head or spouse is elderly or handicapped; surviving member or members of any family already living in a 202 unit; one or more elderly or handicapped persons living with another person who, based on a physician's certification, is essential for care and well being.

Fair Market Rent

The rent, including utilities (except telephone), range and refrigerator and all maintenance, management, and other services, which, as determined by HUD at least annually, would be required to be paid in order to obtain privately developed and owned, newly constructed or rehabilitated housing of modest nature with suitable amenities and meeting the HUD Minimum Property Standards. Separate Fair Market Rents are established for dwelling units of varying sizes and types.

Handicapped Person

Any adult having an impairment that

- 1) is expected to be of continuing, indefinite duration; 2) substantially limits his ability to live independently; 3) is of such a nature that his situation could be improved by more suitable housing condition; or 4) a person who is developmentally disabled if such disability

originates before age 18 and constitutes a substantial handicap to such individual

Housing Assistance Payments Contract (Section 8)	A written contract for 20 years between HUD and the borrower for the purpose of providing housing assistance payments to the borrower on behalf of an eligible family determined in accordance with HUD criteria.
Housing Assistance Payment	The amount of Section 8 housing assistance paid by HUD on behalf of an eligible family determined in accordance with schedules and criteria established by HUD. Generally it equals the difference between the net family contribution and the contract rent.
Lower Income Family	A family whose income does not exceed 80% of the median family income for a particular area.
Net Family Contribution	This is the amount of rent that the resident actually pays to the housing owner. It is computed by deducting the utility allowance (if any) from the Gross Family Contribution. This may be a negative amount in which case the resident receives a payment from HUD to cover utility expenses.

"New" Section 202/8
Program

Current program as revised and reactivated by the Housing and Committee Development Acts of 1974 and 1978. As of October 1983 the program has produced 100,524 units(1441 projects).

"Old" Section 202

Original program as implemented by Section 202 of the Housing Act of 1959. The program lasted from 1959 through 1969 when it was phased out in favor of the Section 236 program. The program produced about 45,000 units (335 projects).

Section 8

Provides rental assistance payments to housing owners on behalf of eligible residents. Eligible residents include elderly persons and families who do not have annual income in excess of 80% of the median income for the area in which the project is located.

Services

Housing financed through the Section 202 must be designed to provide an assured range of services for the occupants. These may include but are not limited to: health services; continuing education; informational; recreational; homemaker; counseling; and transportation where necessary to facilitate access to social

services.

Sponsor

Any private nonprofit entity approved by HUD as financially and administratively capable of developing and operating a 202 project. A sponsor cannot be a public body or an instrumentality of a public body.

Structures

Projects may be new construction or substantial rehabilitation. They must be designed in accordance with HUD design criteria including the appropriate HUD minimum property standards. Twenty-five percent of the units must be efficiencies unless determined by HUD not to be marketable in that area.

Very Low Income
Family

A family whose income does not exceed 50% of the median income for the area.

